Austria Sch22 Iran Rls150 Philippines Peso40 Bahrain Din0.650 Israel Shk3.50 Portugal Esc120 Belgium BFr48 Italy L1700 Qatar QR6.00 Canada C$1.00 Japan Y600 S.Arabia SR6.00 Cyprus C£0.90 Jordan Fils500 Singapore S$4.10 Denmark DKr10.00 Kuwait Fils500 Spain Pta145 Egypt E£2.25 Lebanon £300 Sri Lanka Rup30 Finland Fmk7.00 Lux LFr48 Sweden SKr9.00 France Fr7.00 Malaysia $M4.25 Switz SFr2.30 Germany DM2.50 Mexico Peso4000 Taiwan NT$65 Greece Dr120 Morocco Dh10.00 Thailand Bt50 Hong Kong HK$12 Neth Fl2.75 Tunisia Din1.000 Iceland Kr125 Nigeria Naira6 Turkey L800 India Rup15 Norway NKr10.00 UAE Dh12.00 Indonesia Rp3000 Oman Or1 USA $1.50

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,751 Tuesday January 24 1989 D 8523A

FRANCE
Tangled tale of politics and money
Page 14

World News

Argentine troops regain barracks from rebels

Argentine troops regained control of an army barracks near Buenos Aires after four hours of fighting against an estimated 50 civilian insurgents who had stormed the base. A local news agency said 20-30 people died. Page 16

Prosecutor killed

Gunmen shot dead a Greek public prosecutor in Athens. A left-wing urban guerrilla group claimed responsibility for seriously wounding two public prosecutors earlier this month, saying the judiciary was partly to blame for financial scandals rocking Greece.

'Arms man' shot

A black South African man was shot dead by police when he grabbed a grenade from an arms cache near Cape Town to which he had led police.

Iraq releases POWs

Iraq repatriated 131 disabled Iranian prisoners of war in a "humanitarian gesture." There was no sign that Tehran would resume prisoner exchanges, halted in November amid deadlocked peace talks.

ETA ceasefire

ETA, the Basque separatist organisation, said it would extend for two more months a ceasefire in attacks on government targets in return for negotiations on the future of Spain's Basque region.

Militia talks begin

Iran and Syria began talks to end heavy fighting between the rival Shia Moslem militias they support in Lebanon. The fighting has killed 142 people since January 1. Page 4

Salvador Dali dies

Surrealist painter Salvador Dali died in his home town of Figueras from heart failure complicated by pneumonia. Dali, 84, was known for his fantastic dreamscapes and his eccentric behaviour. Page 16; Obituary, Page 18

Proposal on Korea

South Korea agreed to a North Korean proposal for preliminary political talks next month and said the two nations were within sight of ending their 40-year confrontation.

Election bodyguards

Six armed bodyguards will be assigned to protect each of the 1,400 candidates in Sri Lanka's parliamentary election. Seven candidates have been murdered this month.

Intifada escalation

Underground Palestinian leaders said in a leaflet that they would escalate their *intifada* (rebellion) despite the Israeli army's tough measures to quell the 13-month revolt.

Far right split

Members of South Africa's white supremacist group, the Afrikaner Resistance Movement, threatened to form a breakaway movement after a move to question their leader over ties with an ex-model.

Unity discussions

Unity talks between the leaders of the divided island of Cyprus resumed with both sides eager to shrug off mutual accusations of bad faith that marred earlier rounds.

Monte Carlo crash

A spectator was killed and four people injured in a crash during the Monte Carlo rally.

Business Summary

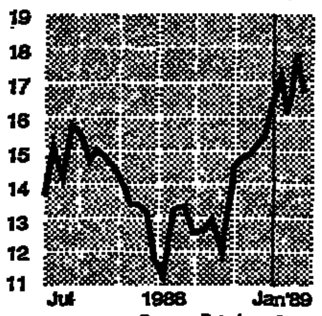
Garcia warns of austerity measures for Peru

PRESIDENT Alan Garcia of Peru has warned of drastic austerity measures if the country wants to restore relations with the International Monetary Fund and World Bank for new loans. Page 16

OIL PRICES slumped heavily when buyers turned away from the market following the recent rise in prices. Traders described the fall in part as a technical correction to recent market strength. North Sea Brent crude for February delivery closed off $1.05 at $16.75 a barrel in European trading. Commodities, Page 28

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

SUMITOMO BANK, Japan's largest in terms of profits, obtains a listing on the London Stock Exchange today. Japan's five largest banks are now quoted in London. Page 17

MERRILL LYNCH, holding company for one of Wall Street's largest firms, suffered a 33 per cent drop in commission revenue last year, reflecting lower business from retail clients. Page 17

TEXAS EASTERN, Houston-based pipeline operator, continued to see its shares climb amid speculation that a $2.5bn takeover bid from Coastal has set the stage for an industry-wide auction. Page 18

RUSTENBURG Platinum, South Africa's largest platinum producer, saw its revenue lifted by higher platinum and nickel prices to R1.41bn ($590.7m) from R1.13bn. Pre-tax profits increased to R533m from R495m. Page 20

MINNESOTA MINING and Manufacturing, US materials and industrial group, reported a 26 per cent increase in earnings to $272m. Page 18

UNION CARBIDE and MONSANTO, two of the largest US chemical companies, reported that 1988 was their best year due to demand for basic chemicals and plastics. Page 18

BNA, Italy's largest privately owned bank, is to raise L400bn ($296m) by a two-tranche rights issue. Page 20

UK LIFE assurance companies have responded more strongly to threats posed by AIDS (Acquired Immune Deficiency Syndrome) than those in most other countries. Page 8

JARDINE Strategic Holdings of Hong Kong is undaunted by a challenge to a US$6.4m partial settlement reached in lawsuits relating to its aborted purchase of a stake in Bear Stearns, the Wall Street brokerage. Page 21

WELSH Development Agency is to set up a match-making service to link companies with those in Europe to make businesses more aware of the 1992 single market. Page 8

HYUNDAI Merchant Marine, South Korean shipping line, is to appeal to the European Court against the imposition of a 26 per cent levy on container traffic between the EC and Australia. Page 5

CHINA signed a $30m contract to launch an American-built satellite and officials said few obstacles remained in the way of Peking entering the lucrative commercial space market.

Soviet Union reports 1,000 dead in new earthquake

By **Quentin Peel** in Moscow

THE SOVIET UNION, still reeling from the effects of December's disaster in Armenia, was yesterday hit by an earthquake in the central Asian republic of Tajikistan, where at least two villages near the Afghan border were reported to have been buried by a wall of mud.

First estimates put the death toll at more than 1,000, with other mountain villages in the region still uncontacted, as electricity pylons and road bridges were brought down over a wide area.

The latest earthquake struck at dawn in the mountainous Gissar district about 30 miles south-west of Dushanbe, the republic's capital.

It measured six on the Richter scale and set off a landslide which buried villages up to 45 feet beneath sand and mud.

Slightly smaller tremors scale were reported from Dushanbe itself, although no casualties were reported.

News of the latest earthquake came as Soviet scientists warned of a possible new tremor in Armenia, where the confirmed death toll from last month's disaster is almost 25,000, with 500,000 made homeless.

The Soviet news agency Tass reported that the village of Sharora in Tajikistan, with 150 homes, was buried by the wall of mud, with a death toll running into hundreds.

"Cries and wails can be heard everywhere," the agency reported. "Some are bemoaning and burying their relatives and near ones, while others are trying to find the few survivors beneath the thick layer of sand and clay."

The nearby village of Okuliolo "is now a heap of rubble, with 70 homes completely demolished and buried by the landslide," Tass reported.

Radio Moscow said the Ministry of Health had immediately despatched 35 emergency teams of doctors and equipment to the earthquake zone. Heavy excavators, bulldozers and cranes had been sent from Dushanbe.

Several villages were cut off by damaged roads, with bridges collapsed and telephone and power lines brought down by the tremor.

Tass said thousands of cattle had perished, and thousands of acres of farmland had been submerged by the landslide.

More than 100 people were taken to hospital in the Tajik capital.

The Soviet economy has been battered by disasters. The cost of rebuilding Armenia is put at Rs8bn, the same cost as the Chernobyl nuclear power station accident in 1986.

There was no information last night on whether the latest quake had damaged road links with Afghanistan, where the remaining 50,000 Soviet troops are due to be withdrawn by February 15.

No damage was reported in Kabul, the Afganistan capital.

Western diplomats in Islamabad said the earthquake was felt in northern Afghanistan but it was not clear whether there had been any damage.

● British rescue teams were on standby last night. International Rescue, which sent two teams of 14 and 15 to help during the Armenia disaster, said it was asking whether the organisation could help again. It was contacting the Soviet Embassy in London.

N Sea rig emergency high on agenda for UK-Norwegian talks

By **Karen Fossli** in Oslo and **Steven Butler** in London

THE DANGERS posed by deep, high pressure oil exploration in the North Sea are to feature prominently in consultations between Britain and Norway early next month.

The agenda has been set in the light of the emergency in the southern part of the Norwegian North Sea, where a high pressure exploration oil well near the Ekofisk field is threatening to explode.

According to oil industry experts, an explosion could come at any time, posing a threat to men trying to contain the emergency and causing a severe pollution hazard.

The well, operated by Saga Petroleum, is in an area about nine miles from the Albuskjell oil platform, one of seven fields in the Ekofisk oil and gas production area, which accounts for 20 per cent of Norway's total oil production.

It was being drilled from a semi-submersible mobile drilling unit in the southern part of the Norwegian North Sea when problems were encountered from a high-pressure geological formation.

A surge of pressure was encountered late on Friday after several weeks in which the operators had experienced severe difficulty controlling it. More than half the crew aboard the Treasure Saga drilling rig was evacuated to the Ekofisk platform.

This latest incident follows a spate of recent troubles with deep drilling.

Mr Rolf Mathiesen, responsible for drilling at the Norwegian Petroleum Directorate, Norway's watchdog over oil activities, said Norway had encountered problems at four or five high pressure wells in the last year.

In the UK sector of the North Sea, the Ocean Odyssey, operated by Atlantic Richfield, was destroyed, and one man killed, in September following a blowout at a high pressure well. In November the British Department of Energy imposed a blanket ban on high pressure drilling operations using flexible hoses, resulting in the suspension of three wells.

Elsewhere in the Norwegian North Sea, Elf Aquitaine Norge, part of the French oil group, is struggling to control a high-pressure well which it began drilling in July. Elf encountered problems at the beginning of November and recently gas began leaking from its prospect.

Although high pressure pockets have always been a problem in oil drilling, the dangers have increased as explorers extend the search for oil deeper in the ground, where pressure becomes progressively higher.

Improvements in technology and the search for oil in frontier areas have both pointed oil exploration toward deeper prospects.

The Anglo-Norwegian talks were arranged before the current emergency, but UK and Norwegian energy officials said the problems of high pressure wells would now be high on the agenda. They would be comparing experience so that "corrective measures" could be implemented if necessary.

Mr Mathiesen said the talks were likely to focus on improving drilling programmes for deep wells, identifying ways of obtaining better information about geological formations, and improving equipment.

Meanwhile Saga Petroleum has called in Mr Boots Hansen, a well-kill expert, to act as technical adviser to help establish control over the well which still threatens to blow.

Yesterday Saga used an underwater vehicle to monitor leaks from the blow-out preventer, a safety device used to close the well. Saga also measured sound in the well to determine whether movement was taking place.

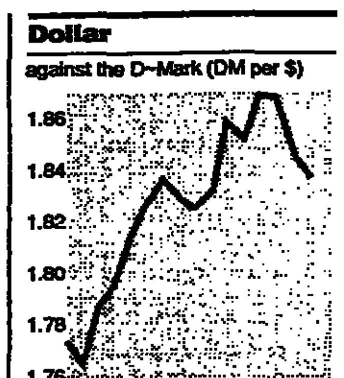
Mr Mathiesen said, however, that although no sound was recorded, pressure inside the well could still be increasing to dangerous levels.

Saga plans to install an additional blow-out preventer as a second defence barrier. Two additional drilling units will then be moved on location to undertake parallel work, one to establish contact with the existing well while the second unit drills a relief well. The operation could take weeks or months, with the well remaining in a dangerous state.

A worst-case scenario could force production from part of Ekofisk to be shut down during oil spill cleansing.

Dollar

against the D-Mark (DM per $)



Intervention by banks again forces dollar lower

By **Simon Holberton**, Economics Staff, in London

THE LEADING central banks of Europe and North America yesterday again succeeded in forcing the dollar lower after their fourth foray into the open currency markets in as many trading days.

Their concerted intervention, led by the Federal Reserve and soon followed by the West German Bundesbank and six others, left the dollar weaker against the D-Mark and the yen at the close of trading both in London and New York.

The central bank dollar sales, which currency market analysts estimated to have been in the region of $400m, took the dollar from about DM1.8485, at its highs of the day, to a low in Europe of DM1.8340.

In London, the US currency closed slightly firmer at

Continued on Page 16
Markets, Section II

OECD's chief economist hits out at EC policy

By **Peter Montagnon**, World Trade Editor, in London

A FIERCE indictment of European Community trade policy is launched today by Mr David Henderson, chief economist at the Organisation for Economic Co-operation and Development.

The policy has involved widespread recourse to protectionism over the past two decades, he says.

This has helped weaken not only the General Agreement on Tariffs and Trade (Gatt) but also the fundamental idea that international trade policies should be governed by a framework of accepted rules, he says in an essay published by the Group of 30, a leading independent economic think-tank.

"It is not the spectre of Fortress Europe (emerging after 1992) that gives cause for concern but the reality of some long-established characteristic features of the Community's present trade regime."

Mr Henderson, who wrote the study in a personal capacity, says EC trade policy has "adopted discrimination as a norm, a guiding principle. One of the main constituent elements of a liberal trading system has thus been explicitly set aside."

Europe's drift into protectionism is a long-term trend accompanied by increasing recourse to non-tariff barriers such as voluntary export restraint agreements and a web of preferential trading arrangements with groups of countries ranging from the European Free Trade Association (Efta) to the 66 developing countries which benefit under the Lomé Convention.

This has led to a preoccupation with bilateral arrangements which has been exacerbated by the EC's "strong and continuing concern" with sectoral and bilateral balances. In spite of the lip-service paid by the EC to the concept of the multilateral trading system "it would be unwise to count on a major change."

Mr Henderson warns that US trade policy has evolved in a similar way even though US officials have criticised European attitudes.

"It is not enough to preach sermons to Brussels while at the same time engaging systematically in forms of interventionism that scarcely differ from those to which the sermons are directed.

"Neither the US nor the Community is likely to change direction unless it sees clear signs that the other will do so; and as I read the evidence – there may be more so after the Montreal mid-term review – the Uruguay Round negotiations alone are unlikely to create the conditions in which such a simultaneous move would occur."

The only grounds for hope lie in the possibility that governments themselves may recognise the dangers of the world slipping into a system of polarised trading blocs and that the EC may realise that the advantages it hopes to reap from its internal liberalisation can be compounded by extension.

Continued on Page 16

East Germany pledges cuts in forces and defence spending

By **Leslie Colitt** in East Berlin

EAST GERMANY'S hard-line leadership yesterday pledged to cut defence spending and reduce its military strength, while Poland was added to the the list of East European countries where some Soviet troops are to be withdrawn.

Mr Erich Honecker, the East German leader, said his country's armed forces – estimated by Western analysts to number between 175,000 and 190,000 – would be reduced by 10,000.

He also promised to scrap or convert to civilian use some 600 tanks, disband six tank regiments and withdraw 50 combat aircraft from service.

In Warsaw, the government spokesman said an unspecified number of Soviet troops would be withdrawn from Poland. Western analysts say the Kremlin keeps about 45,000 troops on Polish soil and, until yesterday, Moscow had given no indication that Poland would be affected by its plans to scale down its military presence in Eastern Europe.

The spokesman said several Soviet regiments and "autonomous units" such as battalions would leave this year, and a brigade would go in 1990.

According to the text of a speech due to be delivered last night at a dinner in honour of Mr Ingvar Carlsson, the Swedish Prime Minister, Mr Honecker promised that "a reduction in expenditure on national defence of 10 per cent will be carried out" and added that the measures were to be completed by the end of next year.

Giving details of the Soviet troop withdrawals from Eastern Europe, outlined by Mr Mikhail Gorbachev, the Soviet leader, at the UN last month, Mr Honecker said Moscow would pull two tank divisions out of East Germany this year and another two in 1990.

Mr Gorbachev told the UN that a total of six tank divisions would be withdrawn from Eastern Europe – so Mr Honecker's comments implied that only one division each would be taken out of Czechoslovakia and Hungary.

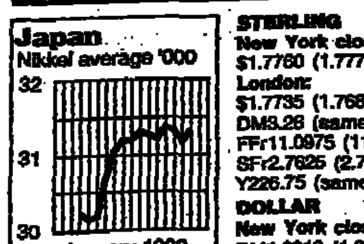
Mr Honecker said the aim of the reductions was to give the armed forces an even greater "defensive character." He called on other European countries to take similar steps. Mr Carlsson in a speech earlier yesterday in East Berlin called for freedom of expression and greater contacts between citizens in East and West. He said the atmosphere in his talks with Mr Honecker was so good that he expected further humanitarian steps by East Germany.

Mr Honecker was criticised last week by West Germany for defending the Berlin Wall after he said the wall would remain for "50 or 100 years" if the conditions which led to its building were not eliminated.

Karpov edges towards Nato over arms cuts, Page 2

MARKETS

Japan
Nikkei average '000



INTEREST RATES
US lunchtime
Federal Funds $9\frac{1}{4}$% (8$\frac{7}{8}$)
3-mth Treasury Bills: yield: 8.545% (8.52)
Long Bond: 101$\frac{11}{32}$ (101$\frac{1}{4}$)
yield: 8.851% (8.86)
London
3-month interbank: close 13$\frac{1}{16}$% (same)

STERLING
New York close
$1.7760 (1.7775)
London:
$1.7735 (1.7665)
DM3.26 (same)
FFr11.0975 (11.1050)
SFr2.7625 (2.7725)
Y226.75 (same)

DOLLAR
New York close
DM1.8310 (1.8375)
FFr6.2315 (6.26975)
SFr1.5490 (1.56)
Y127.45 (127.75)
London:
DM1.8380 (1.8435)
FFr6.2575 (6.2800)
SFr1.5575 (1.5675)
Y127.80 (128.25)

GOLD
New York latest
Comex Feb $409.0 (409.3)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,218.39 (-16.97)
S&P Comp 285.53 (-1.10)
London:
FT-SE 100 1,924.7 (+7.2)
World:
141.86 (Fri)
Tokyo
Nikkei Ave 31,332.88 (+162.50)
Frankfurt
Commerzbank 1,649.3 (-18.8)

OIL
Brent 15-day (Argus) $16.75 (-1.05) (Feb)
West Tex Crude $17.855 (same) (March)

CONTENTS

Japanese giant with universal aspirations

Mr Sotoo Tatsumi, president of Sumitomo Bank, predicts that Japan's financial industry will give way in the next two years to universal banking similar to that in Western Europe
Page 17

EUROPEAN NEWS

Karpov edges towards Nato over arms cuts

By William Dullforce in Geneva

MR VIKTOR KARPOV, Soviet Deputy Foreign Minister, yesterday outlined in informal discussion a programme for cuts in conventional arms in Europe that appeared to go some way to meet Nato demands.

He also emphasised the Soviet Union's desire for quick results from the Conventional Stability Talks (CST) between the 23 Nato and Warsaw Pact countries, due to start in Vienna in March.

The talks should elaborate a "first set of agreements right away...without wasting time on general discussion which, as experience shows, may only fossilise our positions," he said.

Speaking at a seminar in Geneva, organised by the UN Institute for Disarmament Research, the minister put forward as "possible principles" for reductions in conventional arms:

● The elimination of current imbalances between Nato and Warsaw Pact forces, with cuts being made first in the most destabilising weapons.

● A withdrawal of forces from the line of direct contact between the two alliances and the disbanding of the formations withdrawn.

● Changing the structure of the army divisions remaining in the central European zone to give them "clearly defensive functions."

Mr Karpov's suggestions did not match the call for a 50 per cent reduction in Nato and Warsaw Pact offensive forces in Europe, made by Nato foreign ministers last month, but he implicitly accepted the West's argument that the major threat to stability in Europe comes from weapons capable of mounting large-scale offensive operations.

Agreement could be reached promptly, Mr Karpov said, by setting ceilings on the most dangerous types of offensive weapons. These should be lower than the existing lowest levels in the two alliances.

As examples he listed attack aircraft, combat helicopters, tanks, artillery, armoured personnel carriers and "landing-crossing means."

The inclusion of strike aircraft was in line with the Warsaw Pact's contention that Nato's superiority in this field should be set against any eastern bloc preponderance in tanks and artillery. The Nato countries have argued so far that aircraft should not be covered by the negotiations, although the CST mandate adopted last week in Vienna does not specifically exclude them.

Mr Karpov suggested that the space between the Atlantic and the Urals be divided geographically into several concentric zones, with different levels of arms reduction.

Moscow was ready to give priority to the reduction of tactical nuclear weapons – an issue which divides the Nato countries – the moment the cuts in conventional forces got under way, Mr Karpov said.

He confirmed Western estimates that only a "couple of dozen" short-range nuclear weapons would be removed in the unilateral reduction of Soviet forces in central and eastern Europe announced by President Mikhail Gorbachev last month.

Of the 10,000 tanks slated for reduction in Europe, Mr Karpov said, 5,000 would be "physically eliminated" and the rest converted into civilian towing vehicles or into simulators.

The Soviet Union would shortly pull out of eastern Europe several formations that lent an offensive posture to its deployments.

A second reduction of troops stationed in Mongolia was planned. This would amount to 75 per cent of their present size.

IMF rebukes Italy over reform of finances

By John Wyles in Rome

THE ITALIAN Government and Parliament was yesterday reproached by a team of inspectors from the International Monetary Fund for wasting another year in the task of reforming public finances.

Their report warns that there is virtually no scope "for further delays of corrective policy action in the Italian economy" if the country is to avoid higher inflation, declining competitiveness and a seriously deteriorating trade balance.

The document is clearly co-ordinated with the Italian Treasury and is meant to be studied and inwardly digested by all ministers and parliamentarians.

It stresses that the "determined and effective implementation" of the budgetary reform plan prepared by Mr Giuliano Amato, the Treasury Minister, "is a necessary condition for the success of Italy in the single European market."

However, the report affirms that the Government has made no real progress in achieving the plan's step-by-step objective of stabilising total government debt as a percentage of gross domestic product by 1992. Nor, on present trends, does the IMF see much improvement this year.

Rather, it forecasts that the 1989 public borrowing requirement could be the same as last year's L124,000bn (£52bn), significantly above the budget target of L117,300bn.

The Amato plan adopted last autumn assumed a deficit last year of L114,450bn and this year of L115,800bn.

The report warns that still further slippages are likely because the base from which adjustments have to be made is higher, revenue collections appear "uncertain" and the rise of international interest rates means that targeted savings on interest payments are less probable.

Apart from interest payments, the IMF calculates that overruns will also be suffered in wage settlements, health spending, social security transfers and transfers to the railways.

The inspectors stress that fiscal policy has to be the central instrument for short-term demand management and medium-term adjustment.

Monetary tightening could boost demand by adding to disposable incomes and strengthening consumption (through higher interest payments to private holders of government debt) while also attracting higher capital inflows and pushing the exchange rate upwards.

With the latest cost of living figures showing a 5.8 per cent annual rate of price rises in January, the report points up growing inflationary risks and a threat to Italy's competitive position.

Sweden returns to national pay talks after six years

By Robert Taylor in Stockholm

NEGOTIATIONS WILL open soon on a national wage agreement to cover most of Sweden's 1.3m blue-collar workers in the private sector employed outside the engineering industry. The aim is to reach a deal within the next three weeks.

This follows yesterday's decision by the executive committee of the LO blue-collar union organisation to give the go-ahead to Mr Stig Malm, their president, to hold talks with the country's main employers body, SAF, on a central pay agreement.

There has not been such a comprehensive collective bargain at the national level in Sweden since 1983; but over the past three months secret talks have been going on between the LO and SAF to examine the prospects for a return to such negotiations, which were a key feature of the Swedish bargaining system between 1956 and 1982.

If the forthcoming talks succeed a national pay agreement could be expected for the blue-collar workers by the end of February.

The white-collar unions are also likely to join in the negotiations with the expectation of a central agreement by early spring.

This unexpected move is a clear break with the trend towards greater decentralisation in pay bargaining that has gathered pace in Sweden during the 1980s. However, both the LO and SAF accept that employers and workers in engineering (including the motor industry) will want to reach their own agreement outside the framework of any national deal, though it is bound to be influenced by the outcome of the central negotiations.

Both sides of industry appear anxious to reintroduce a strong measure of stability into the wages system. At the end of last year Mr Malm expressed enthusiasm for longer-term pay agreements to remove the present uncertainties and help dampen wage inflationary expectations.

The level of earnings in Sweden is now climbing at an annual average rate of more than 7 per cent, eroding the country's competitiveness in international markets. In the private sector, pay went up by between 9 and 14 per cent last year with large increases in particular for workers in the profitable forestry and construction industries.

However, national wage bargainers will find it very difficult to establish an overall pay rise figure that reflects the economic realities of the shopfloor where labour shortages and high company profitability make the pressure for substantial wage deals almost irresistible.

David Goodhart decodes the arguments about modernising short-range nuclear arms

Missiles represent wider debate on German interests

FORGET about the US-German row over Libya: that was a mere tiff compared with the approaching conflict over modernising short-range nuclear missiles.

Such is the opinion of a growing number of defence analysts in Bonn who see the modernisation debate – both in West Germany and in Nato – as a proxy for the much bigger argument over attitudes to Mr Gorbachev, the role of nuclear weapons in Nato strategy and the special interests of West Germany.

Recent events have swung the argument in favour of the Foreign Minister

Decoding the deliberately shrouded argument within the coalition is never simple.

But it now seems that last year's hints that Chancellor Helmut Kohl would, after a bit of squirming, accept an agreement on modernisation early this year were wide of the mark.

Recent events – Soviet arms initiatives and the emotional argument over low flying in Germany – have now swung the argument in favour of Mr Hans-Dietrich Genscher, the Foreign Minister, who argues that no firm agreement is needed until 1991 or 1992.

That position is likely to be further strengthened by another offer from Mr Gorbachev, which defence experts expect in the next few months, possibly when he visits Bonn in May.

Analysts are citing Mr Kohl's unusual reprimand for Mr Rupert Scholz, his Defence Minister, who recently argued in public for an early decision on modernisation, as evidence of retreat.

Why is modernisation required at all? Nato military strategists argue, with the support of the US and UK governments, that notwithstanding the promising signals from Moscow the alliance must maintain a nuclear capability in Europe consistent with the strategy of "flexible response".

That means Nato must back up its far smaller conventional force with the firepower to make a Soviet attack unthinkable.

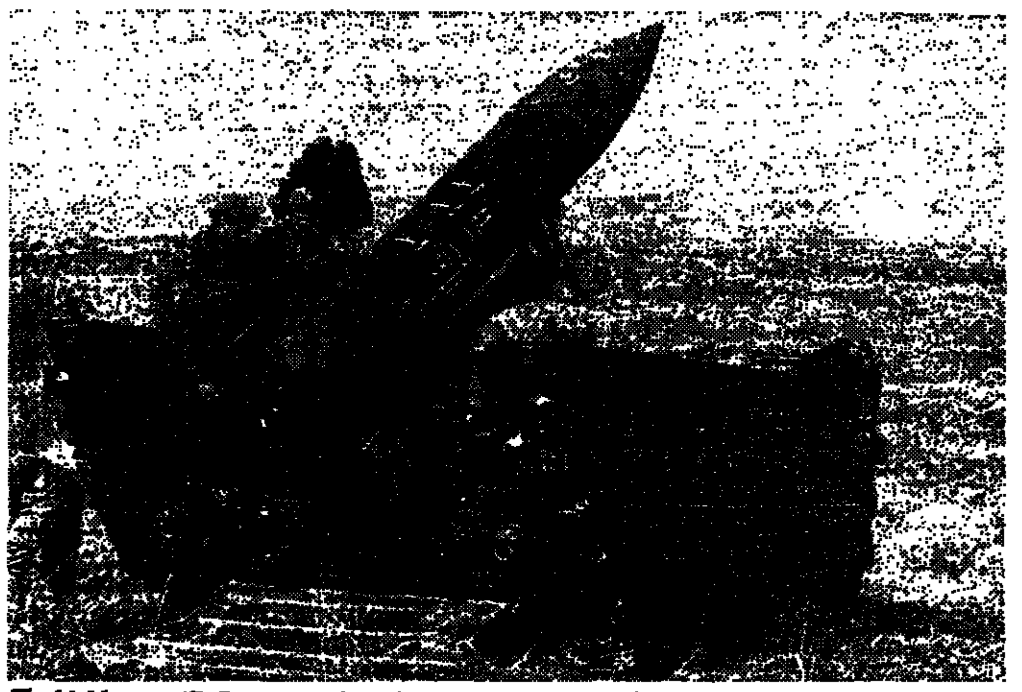
Now that intermediate range nuclear missiles have been withdrawn, following the 1987 INF treaty, the three categories of short-range nuclear missiles provide that potential firepower: the Lance missile, nuclear artillery and air-to-ground missiles. As most artillery is likely to be scrapped over the next few years, attention has focused on the Lance, which will need to be replaced before 1995.

Supporters of modernisation argue that, although technically the work need not begin before 1992, it may by then be politically impossible.

A delayed decision thus becomes, by default, a unilateral phasing-out. Some people in Washington also see an early decision as an important test of Germany's reliability as a partner.

Congress wants to grant the $50m required for prototype development this year but in return is demanding a commitment (not necessarily irrevocable) to deployment.

Underlying such an approach – shared by the Defence Ministry in Bonn – is the belief that even with conventional parity Nato must retain a range of nuclear options in Europe, albeit scaled down in negotiation with Moscow.



The highly versatile Lance missile will need to be replaced before 1995

Against that view stands German public opinion and the Genscher camp. Polls show the German public firmly committed to Nato and the US link, but there are also big majorities in favour of not modernising short-range missiles and, indeed, getting rid of all nuclear weapons.

Most observers believe a compromise is still possible, although the two committees – one Nato, one German – working on proposals for a Nato "comprehensive concept", to be unveiled this spring, will have to be even more adept than usual at smudging meanings.

Satisfying both Congress and Mr Genscher will probably necessitate an "in principle" commitment to modernise but with no need for a final decision before 1991.

Mr Gorbachev would probably not be too unhappy with such a formulation and some observers believe that if he had really wanted a mutual phasing-out of short-range missiles he would have offered it himself.

None the less, arriving at such a compromise will take its toll. The issue of short-range missiles, which can only land on German soil, touches German nerves. At the same time, the apparently disappearing military threat from the East makes the German public far less ready to accept the inconveniences of playing host to the highest concentration of troops and hardware in Nato.

Mr Werner Hoyer, a young Liberal member of the Bundestag, believes that by over-dramatising the issue of Lance, Washington is failing to appreciate changing attitudes in Germany, thus making it more difficult to establish a firm and sensible defence policy.

He has been prominent in attacking the recent decision to extend military service from 15 to 18 months – widely seen as a measure to appease Nato allies.

"This may be what our partners want to see but it is the wrong signal to our own people. We have a credibility crisis in defence. We are not trying to sneak out of our responsibilities for defence but we need to explain to people what is required for the draft or for low flying and then ask for no more than is necessary," he says.

From a different perspective, supporters of modernisation in Germany or abroad also stress that lack of political leadership on security matters is allowing a dangerous drift. "When Mr Kohl is more concerned with tactical advantage in the 1990 election than with the future of the alliance we are in for a bumpy time," one conservative analyst says.

But such is the lack of co-ordination on security matters in the centre-right coalition that the Government seems to be riding for another unnecessary fall over low flying. Having allowed public opinion to think that a 50 per cent cut was possible it now seems likely that a significant, but smaller, cut will be unpopular with voters and be interpreted, despite the concessions over military service, as bullying behaviour by the US.

French commercial banks raise base rates to 9.6%

By George Graham in Paris

FRENCH commercial banks yesterday raised their base interest rates by 0.35 per cent to 9.6 per cent, following the increase last week in central bank money market intervention rates.

The rise takes the base rate, which is used as a reference for an estimated FFr320bn (£29bn) of bank loans, back to the level of last July, a level at which it had remained unchanged for two years, despite wide fluctuations in underlying money market rates. Bankers now expect the base rate to show more sensitivity to market rates, however.

Yesterday's move was led by Credit Commercial de France, the bank privatised in April 1987, followed by the banks in the state-owned CIC group.

Banks were on the verge of raising their base rates by as much as 0.3 of a percentage point in December, when the Bank of France raised its money market intervention range by half a percentage point to 7.75-8.5 per cent. They delayed, however, because of the imminent abolition of the tax on outstanding credits.

The abolition of this 0.10 per cent tax would normally have been passed on to borrowers on January 1 in the form of a reduction probably of 0.15 of a percentage point in base rates.

When the Bank of France last Thursday followed the lead of the West German Bundesbank and raised its intervention range by a further half point to 8.25-9 per cent, commercial banks decided this time to raise their base rates. Bankers estimate, however, that by cancelling out two market-driven increases and one tax-driven reduction they have lost some 0.10 of a percentage point.

Some economists said yesterday that after a period of intensified competition, when banks felt hesitant to raise rates for fear of losing ground to their rivals, the base rate had now moved back into a closer relationship to money market rates, and was likely to follow their evolution more closely.

Rakowski visit breaks new ground with Bonn

By Leslie Colitt in Berlin

AN UNOFFICIAL visit to West Germany by Mr Mieczyslaw Rakowski, Poland's Prime Minister, has broken the stalemate in relations between the two countries.

The West German President, Mr Richard von Weizsäcker is expected to visit Poland next September 1 to mark the 50th anniversary of Nazi Germany's invasion.

The symbolism of the visit will be enhanced by the fact that the President took part in the invasion as a Wehrmacht officer. But first, Chancellor Helmut Kohl will go to Poland to pave the way for what West German officials called a "new chapter" in relations.

At talks last weekend between Mr Rakowski and Mr Kohl, Bonn agreed to offer financial and economic help to the Warsaw government's economic reform programme. West Germany is to permit Poland to pay back with zlotys a portion of a DM1bn (£312m) loan granted in 1975.

The Government is also prepared to give official guarantees for trade credits to Poland, but officials stressed that fresh money would only be given for specific projects.

Mr Rakowski yesterday called on West German industry to support Poland's economic and political reforms with increased co-operation, especially in establishing joint ventures.

West German assurances of economic aid were made in return for Mr Rakowski's promise that the cultural interests of the small remaining German minority in Poland would be supported. German-language instruction is to be given in Polish schools where ethnic Germans live.

Soviet heavy industry to serve consumers

By Quentin Peel in Moscow

EVERY single industry and enterprise in the Soviet heavy industrial sector, including the defence industry, has been told to produce some consumer goods, in the country's crash programme to meet an enormous backlog of unsatisfied consumer demand.

At the same time, more than $1bn (£560m) in foreign currency has been set aside for importing machinery and equipment for the consumer goods sector, and another 20bn roubles (£18.3bn) will be spent on importing finished consumer products this year.

Those details were spelt out yesterday by Ms Alexandra Biryukova, Deputy Prime Minister for light industry, and the most powerful woman in the Soviet hierarchy as a candidate member of the Politburo.

Also, she confessed that "the situation in the country's consumer market is now tense," with shortages of a wide range of consumer goods, from television sets to basic household equipment.

She blamed years of top priority for heavy industry in investment plans, and a massive Rs70bn in unsatisfied consumer demand, based on the difference between potential spending and the value of goods in circulation.

Mr Nikolai Ryzhkov, Prime Minister, has put the figure at Rs90bn, because of another year in which wages outgrew industrial output to the extent of Rs20bn.

"We have set an objective of involving every industry and enterprise in the A sector (heavy industry and defence) in the production of consumer goods," Ms Biryukova said. "We have set the objective that, for every rouble of salary they pay, they should produce one rouble of consumer goods."

She said that already 300 factories or workshops in heavy industry – including a "significant number" of defence contractors – were being converted to outright consumer goods production, or the production of machinery and machine tools for light industry.

"Even now defence industries produce quite a lot of consumer goods, including consumer durables such as televisions, refrigerators and bicycles," she said.

State procurement orders – supposed to be phased out with a reduction in central planning controls – have been reintroduced to ensure factories keep producing cheap products for children and old people, she added.

Investment on retooling light industry, neglected for years in favour of the heavy sector, would be doubled from 1989-91, she said.

The two main lines of foreign credit negotiated in 1988 – DM3.5bn (£1.07bn) from West German banks, and Ecu 680m (£421.6m) from Italy - were being devoted to the sector.

The net result of all the efforts would be a Rs18bn increase in consumer goods production – now about Rs250bn – this year and a Rs48bn increase in 1990, she said.

Ms Biryukova, appearing at her first international news conference since she joined the Politburo last year, defended the failure of the Soviet system to promote more women to top jobs. She is the only woman in the Politburo, and the only one in the Council of Ministers.

She said she had no maid to do her housework – her husband did it for her. Her job meant working 12 or 14 hours a day, with perhaps only two or three hours of leisure on a Sunday, she added.

Sidelined Treasury chief steps down in Turkey

By Jim Bodgener in Ankara

TURKEY'S Treasury chief, Mr Yavuz Canevi, stepped down yesterday out of growing frustration at being excluded from economic policy-making, particularly monetary control.

His frustration is reported to have been most acute over increasing political pressure to step up domestic borrowing to service public expenditure, a prime cause of the budget deficit.

The latter rose by 131 per cent in the first nine months of last year to TL1.8 trillion (million million) – about £540m – compared with the same period of 1987.

He was especially disturbed at plans to introduce medium-term bonds with rates index-linked to the European Currency Unit which he saw as dangerous gambling on a decline in the rate of inflation.

Mr Canevi's retirement is the latest in a chain of transfers and departures in the Turkish Government and state sector resulting from a struggle over economic policy between the so-called adviser "princes" surrounding Mr Turgut Ozal, the Prime Minister, and older bureaucrats.

Mr Canevi's replacement will be announced on February 1. In the interim, his duties are being assumed by Mr Namik Kemal Kilic, the deputy Treasury under-secretary. Mr Canevi has remained however, as chairman of the board of the fledgling Export-Import Bank of Turkey, which started operations last May.

● Foreign investment into Turkey more than doubled last year to around $250m, according to Dr Ibrahim Cakir, head of the State Planning Organisation's foreign investment department (FID). He expects this year's figure to total $400m, he said yesterday.

New investment permits issued by the FID in 1988 (as against actual inflows) increased by 53.7 per cent to a total value of $824.4mn. Interest was highest in manufacturing, followed by services, where tourism topped the list, and then agriculture and mining.

The pattern of larger investments in industry seems to have been in companies with an established market share but in temporary cashflow difficulties due to high inflation and borrowing costs, and requiring infusions of new technology

Greek PM under fire over Koskotas scandal

By Andriana Ierodiaconou in Athens

MR Andreas Papandreou, the Greek Socialist Prime Minister, has found himself under direct fire for the first time for alleged personal involvement in the scandal featuring former banker and press baron Mr George Koskotas.

Mr Koskotas, who enjoyed close relations with the Socialist Government, was charged with fraud last October. The scandal implicated a number of ministers but until now had touched Mr Papandreou only by association.

The Prime Minister is being asked to explain a letter allegedly addressed to him by Mr Koskotas on October 27 petitioning for Mr Papandreou's help to neutralize an inquiry into his affairs.

A copy of the alleged letter was published last Saturday by the Athens daily Eleftherotypia.

A Government spokesman said that no such letter was ever received by the Prime Minister, but did not expressly deny that Mr Koskotas might have written it.

Mr Koskotas is currently in jail in the US where he arrived via Brazil after fleeing Greece with his family in early November, pending extradition proceedings.

The Greek Government is understood to have submitted the relevant papers to the Boston authorities at the end of last week.

Soviet steel venture unveiled

By Alan Friedman in Milan

A HIGHLY unusual Soviet joint venture designed to help modernise the Soviet Union's steel industry and including major Italian companies as well as Swiss, Bulgarian and Finnish concerns was unveiled in Genoa yesterday.

The venture, to be called Elmet Engineering, is unusual not merely because it brings together eight companies from five nations, but because it will be paid by its Soviet customers not in cash, but with steel products.

The most important member of the consortium that will own Elmet Engineering is Ansaldo Sistemi Industriali, the factory automation and systems engineering subsidiary of Italy's state-owned IRI-Finmeccanica group.

Like all other shareholders except the Soviet Union's Chermet Automatika, Ansaldo said it would have a 4.5 per cent equity stake in Elmet, while the Soviet company would control 68.5 per cent.

Aside from Ansaldo the other Italian companies joining in the venture are Esacontrol, a numerical controls manufacturer that is also part of the IRI-Finmeccanica group; Ceda, a systems and engineering company that is part of Danieli, the private Italian steel mini-mills concern; and Coe & Clerici, the Genoa-based trading and shipping group.

The non-Italian companies, aside from Chermet, include Periferna̧ja Technika, a Bulgarian computer business; Eke Engineering, a Finnish engineering and trading company; and Interhortus, a Swiss trading business.

The new venture, which is to start life this spring with initial capital of L3.5bn ($2.6m), hopes to achieve annual turnover of around L100bn in its first year of operating.

In particular, Elmet will design and install hardware and software for the automation of Soviet steel plants.

Ansaldo said yesterday that the venture would be "paid" for its factory automation work in kind rather than in cash, by means of steel products produced by its Soviet clients; the two trading houses – Coe & Clerici and Interhortus, together with Finland's Eke – will then be responsible for marketing these steel products in the West.

BT and Racal in talks on car phone consortium

By David Goodhart in Bonn

BOTH British Telecom and Racal Telecom have confirmed they are holding talks with West German car makers – Daimler-Benz and BMW respectively – about forming separate consortiums to bid for the car phone system which will compete against the West German Bundespost from 1991.

As part of the slow liberalisation of the West German telecommunications system, the Bundespost must accept one private competitor on the pan-European digital system.

Bidding conditions, laid down by a semi-independent tendering committee, should be released next week and official tenders will be invited during the spring with the licence being granted in the autumn.

But already details of several potential groups are emerging for the one private system. Each is expected to be led by a German company, but non-German companies with expertise in mobile telecommunications are jockeying for minority positions in these groups.

Both Daimler-Benz and BMW have been putting considerable resources into car electronics in recent years and do not want to be excluded from the car telephone market. Other German companies believed to be interested in bidding bids for a licence are Mannesman, the printing company, and Allianz, the insurance group.

US groups including Nynex and Bell South are understood to want to join consortiums.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

Fiscal drag and flexible freeze behind Bush budget

Peter Riddell looks at the new Administration's strategy for cutting the deficit without raising taxes

PRESIDENT George Bush plans to introduce his revised budget by February 9, when he intends to address a joint session of Congress.

But the outlines of the new Administration's strategy are already clear. The approach has been set out by Mr Richard Darman, the director of the Office of Manpower and Budget whose nomination was approved yesterday by a Senate committee, and by other senior administration members.

In essence, the Bush Administration intends to reduce the federal budget deficit by relying on the benefits of fiscal drag – that is, the tendency for tax revenues to rise faster than inflation in a growing economy – and on holding spending broadly level in real, inflation-adjusted, terms – the flexible freeze.

This provides what Mr John Sununu, the White House Chief of Staff, on Sunday described as the blueprint for cutting the deficit without raising taxes. The starting point is the Gramm-Rudman target for fiscal 1990, starting on October 1, of a deficit of $100bn (£57bn).

The Reagan Administration estimated that on current trends the deficit would be just over $126bn, while the Congressional Budget Office projected a deficit of $141bn for fiscal 1990. The difference reflects what many economists and congressional leaders regard as the over-optimistic growth (3 per cent-plus a year) and interest rate projections of the administration.

Mr Darman has said he "very strongly" suspects that at this stage the new administration will stick with the Reagan assumptions and not revise them until the normally scheduled time in June/July.

However, with a candour which the British Treasury might copy, he cast doubt on the value of precise projections and suggested that it would be more useful to have a range of economic assumptions. Virtually everything except social security is on the table for review, Mr Darman told the committee yesterday.

In particular, the proposed real increase in defence spending proposed in the Reagan budget of January 1989 is expected to be cut substantially, while Mr Bush talked in his inaugural address of a reallocation of spending.

Obvious priorities are education, the homeless and child care, though extra money is likely to be limited, with the self-proclaimed "education president" leading more by example than expenditure.

However, as Mr Leon Panetta, the impressive new chairman of the House Budget Committee, pointed out last week, "add all of this up and it doesn't add up. Compromises will have to be made, but that should not be viewed as failure."

In contrast with the confrontational relationship between the White House and Congress for much of the Reagan era, the current talk is all of bipartisanship and extended hands between the executive and the legislature. President Bush meets leaders of the Democrat-controlled Congress for a first formal meeting today to explore such an approach.

In practice, what is different is that Mr Bush accepts that he will have to do a deal at some stage with the congressional leadership rather than override it as Mr Reagan did in 1981. If agreement is not reached, the procedures to sequester funds automatically to reduce the deficit will come into force in October.

Mr Darman described sequestration as an unattractive alternative, because half the money would have to come from the defence budget and because "it would be an extremely bad signal for financial markets".

Democrats in Congress would object to sequestration because it would fall heavily on programmes affecting children and the poor. The option of raising taxes appears to have been ruled out for this year – at least in terms of the "duck test" of what the public generally regards as a tax increase, leaving aside the continuation of existing taxes, such as on telephone service, and changes of definition with limited revenue impact.

Any other course would undermine the new president's political credibility, given his repeated campaign pledge of "no new taxes". Hence, on both sides, a budget compromise is preferable. For Mr Bush, a budget agreement would prove that he can show leadership even when faced with a Democratic Congress.

Managua's shoppers face inflation of up to 50,000 per cent

Nicaragua enters realm of economic experimentation

A RUEFUL joke that has recently found a new lease of life in Nicaragua, is that "the light at the end of the tunnel is coming from the end we came in at."

After nearly 10 years in power, eight years of war, five years of economic sanctions and several natural disasters the Sandinista Government has reached a dead end. It has already begun retracing its steps over much of what has been painstakingly pieced together in the name of revolution to salvage what it can.

Hyperinflation, a result of defence spending financed by printing money, has crippled Nicaragua's economy. In a dramatic U-turn one year ago, the Government threw all the textbook remedies at the twin fiscal and balance of payments deficits that were causing the country's economic instability.

Demand was screwed down, government spending slashed, subsidies suspended, exchange rates realigned, price controls lifted and interest rates raised sharply. Government planners then looked on in horror as the inflation rate got worse, the two deficits widened further, and a slump was precipitated which has been unprecedented in Nicaragua's history.

Trying to put an exact figure to Nicaragua's inflation rate, is an exercise in creative economics. A reasonable guess might be in the region of 50,000 per cent for 1988, although the latest government figure is 26,000 per cent and has been repeatedly contradicted. Average incomes can buy only 30 per cent of even this basic basket.

Perhaps not surprisingly, the key government officials responsible for the debacle have become notoriously difficult to reach for an official explanation. However, some reasons are immediately apparent. The deflationary recipe to quench excessive demand, using the standard IMF-type package, has been carried out without the corresponding major influx of foreign finance associated with such a package.

According to Mr Amaru Barahona, the director of economic research at Inies, a Jesuit-run social studies centre in Nicaragua: "This economy cannot now get off the ground without a major inflow of foreign capital resources." He believes that the Government's present course is heading it towards economic and political collapse.

Trade union resistance to the recessionary measures has been almost non-existent, causing the slump to go much deeper than it might otherwise have done. (The trade union movement in Nicaragua is heavily dominated by the Sandinista party.)

The effect has been to dry up demand far in excess of the need to match supply constraints created by foreign exchange shortages. Regular devaluations have meanwhile fuelled cost inflation due to the high import content of many locally manufactured products.

Mr Felix Contreras, a leading member of Nicaragua's Association of Economists, and a Government sympathiser, says: "The restriction of demand has gone too far. The measures might have worked in a country like the US but structural weaknesses in the economy here have prevented the measures from being effective."

Inflation is out of control, production is falling and both Keynesian and monetarist solutions have been tried and failed, reports Tim Coone

Possibly one of the principal factors contributing to the policy failure is the Government's continuing high dependence for revenue on consumer taxes (60 per cent comes from petrol, cigarettes, alcohol and beer and soft drinks).

Government income has slumped with the overall slump in demand. Last year's fiscal deficit was the biggest in Nicaragua's history at 27 per cent of gross national product and 51 per cent of government spending. Further cuts this year, and a continuation of deflationary measures announced last week, seem set to repeat the error.

As the Government appeals for unity the opposition is uniting to confront it. Emigration is reaching alarming rates. Almost anyone it seems with the $1,300 to buy an illegal entry into the US is contemplating the move. Crime rates have shown a dramatic rise.

The problem now, with inflation out of control, production falling and both Keynesian and monetarist solutions having been tried and failed, is that there are few precedents as to how to proceed. Nicaragua has entered the ethereal realm of experimental economics.

But President Daniel Ortega's room for manoeuvre is now extremely narrow. Without a convincing political settlement with both the US and the opposition, which might attract an inflow of foreign finance, any new economic measures now seem to be doomed to failure.

Court rejects affirmative action law

THE US Supreme Court, in a big defeat for civil rights groups, yesterday struck down a local law that set aside contracts for businesses run by members of racial minorities, Reuter reports from Washington.

The 6-3 decision declared unconstitutional a requirement in Richmond, Virginia, that construction companies must subcontract at least 30 per cent of their city contracts to minority-owned businesses.

The decision has far-reaching implications, as hundreds of state and local governments have "set-aside" programmes similar to the one in Virginia.

The ruling underscored the fears of civils rights groups that the court tended to view many "affirmative action" programmes designed to help minorities as reverse discrimination against whites.

The decision was a victory for the Reagan Administration, which had argued against the programme.

At issue was a five-year programme on building projects.

Justice Thurgood Marshall, the only black ever appointed to the Supreme Court, issued a strongly worded dissent saying the decision marked a full-scale retreat from the court's commitment to equality of economic opportunity.

He was joined by the court's other liberal members, Justices William Brennan and Harry Blackmun.

Foreigners lift investment in Venezuela

DIRECT foreign investment registered in Venezuela reached $2.15bn at the end of last year, up 20 per cent, according to the Government's Superintendency of Foreign Investment (Siex), writes Joseph Mann in Caracas.

Last year's increase of $58m in foreign investment consisted mainly of reinvestments of retained earnings and similar operations carried out by foreign industrial concerns already established in Venezuela, according to Mr Juan Carlos Perez-Segnini, the head of Siex. Siex also said that the Government has approved or pre-qualified debt-equity swap projects worth $450m, and had given a green light to 106 projects in debt conversion worth $157m.

Swaps involve the purchase of Venezuelan Government foreign debt at a discount and subsequent investment of the local currency value of the debt in Venezuela.

Bush panel to consider tighter laws on ethics

By **Lionel Barber** in Washington

PRESIDENT Bush plans this week to appoint a commission to study how to tighten ethics laws governing senior Administration officials and members of Congress.

Mr Bush intends to show that he will not tolerate the kind of lapses in the Reagan Administration which saw more than 100 officials, including Mr Ed Meese, the Attorney General, leave the government under ethical clouds.

By focusing quickly on ethics, Mr Bush hopes to complete the separation from the relaxed Reagan years, a point he stressed yesterday when he declared that the lights in his White House will "burn brightly well after dark".

The commission will include Republicans and Democrats. Several reported recruits, such as Mr Lloyd Cutler and Mr Griffin Bell, served under President Carter. The panel will report within 30 days, when the administration plans to propose legislation.

Mr Bush seems to have two goals in mind when appointing a bipartisan commission – the first being his desire to stress co-operation with the Democratic-controlled Congress. But he also wants to ensure that ethics legislation applies to Congress as well as the executive branch.

Congress, meanwhile, is preparing to revive an ethics bill which President Reagan vetoed last year. The bill would have tightened restrictions on lobbying by former government officials and members of Congress, but Mr Reagan argued that it would have made it more difficult to recruit good people to Federal jobs.

Amnesty hits at Brazilian justice

By **Ivo Dawnay** in Rio de Janeiro

LAND disputes in Brazil claimed the lives of 90 rural workers last year, Amnesty International claims in a report published this week.

The disputes have caused 1,000 murders since 1980 but there have been only three convictions, the report adds.

Mr Oscar Correa, Brazil's Minister of Justice, yesterday conceded the number of killings was probably far higher.

According to the Amnesty report, "Brazil – Open Target for Assassination; a policy of negligence?", failure to prosecute gunmen could be linked to government collaboration.

Mr Correa said: "The assassinations in land conflicts cannot be 90, but 9,000." His reaction suggests criticism of law enforcement may have provoked a more self-critical Government stance.

Premier of Grenada loses post as ruling party head

By **Canute James** in Kingston

MR Herbert Blaize, the ailing Prime Minister of Grenada, has lost his position as leader of the ruling New National Party. However, he will remain head of the Government.

Mr Blaize has been replaced by Mr Keith Mitchell, the island's Public Utilities Minister and general secretary of the NNP. When the vote on the leadership of the party was taken at the annual convention at the weekend, Mr Mitchell received 190 votes to Mr Blaize's 155.

Mr Mitchell said he would not seek to remove the Prime Minister from office.

He said: "I want to say to each and every one of you, he [Blaize] continues to have my confidence and I am sure the confidence of all the parliamentarians to continue to take care of Grenada."

The NNP was a hastily arranged coalition which won a general election in 1984, a year after a US invasion toppled the military junta which had taken power after the assassination of Mr Maurice Bishop, the Prime Minister.

The NNP has since been troubled by dissension, with leaders of two of the three factions leaving to form another party. Mr Blaize has also suffered poor health and has travelled regularly to the US for medical attention.

He is not expected to step down voluntarily as Prime Minister and could be faced with a vote of confidence in parliament. The loss of the leadership of the ruling party may also force him into bringing forward a general election which is due in the next 12 months.

OVERSEAS NEWS

Indian Prime Minister Rajiv Gandhi greets Nguyen Van Linh, General Secretary of Vietnam on his arrival yesterday at New Delhi. Linh is in India on a 6-day official visit.

Hanoi and Peking pull back from conflict

John Ridding on the economic strains and Soviet pressure to end a decade of enmity

THE long-standing enmity between China and Vietnam, which has provided one of the greatest obstacles to the process of detente in the region, is finally showing signs of easing.

Last week Dinh Nho Liem, the Vietnamese deputy foreign minister, was in Peking for a series of official meetings including talks with Qian Qichen, the Chinese Foreign Minister. It was the first visit by a senior official from Hanoi for almost a decade and the discussions, which covered the conflict in Kampuchea and territorial disputes, represented an important step towards normalising relations.

The reopening of contacts reflects the interests of both parties in improving relations and, in particular, of resolving the conflict in Kampuchea – the main area of dispute between Hanoi and Peking. The two countries fought a border war in 1979 following the Vietnamese invasion of Kampuchea, and Peking has since been the principal sponsor of the guerrilla coalition fighting the Hanoi-backed regime which replaced its Khmer Rouge allies in Phnom Penh.

For Vietnam, the costs of maintaining a standing army which is estimated to be the fifth largest military organisation in the world has placed an insupportable burden on its economy. *In addition, the presence of its troops in Kampuchea,* although funded by the Soviet Union, deprives it of much needed trade and aid under a US-led embargo.

The situation is now critical. According to Nguyen Xuan Oanh, an adviser to the Hanoi Government, shortages of basic foodstuffs and consumer goods have resulted in inflation of between 700 and 1,000 per cent. *Vietnam is already unable to feed itself and the population is* growing by more than a million a year.

For China, economic considerations are also important. The diversion of resources from the military is a central part of the leadership's reform strategy and is reflected in Peking's adoption of a more pragmatic foreign policy.

An equally significant consideration, however – for both Hanoi and Peking – is the influence of the Soviet Union. Mr Mikhail Gorbachev, eager for improved relations with China, and anxious to limit Soviet economic support for a war Vietnam *appears unable to* win, has applied pressure on its ally in Hanoi to resolve the Kampuchean conflict. For its part, China does not want the ongoing process of Sino-Soviet rapprochement derailed by disputes with Vietnam.

But any moves towards rapprochement are likely to be slow. *Hostility between the two* countries dates back for centuries and recent years have seen new sources of tension arise over and above the conflict in Kampuchea. In particular, Chinese and Vietnamese naval forces clashed last March over the disputed Spratly Islands in the South China Sea.

The deep-rooted mutual suspicion is reflected in the protracted manoeuvring which *preceded last week's meeting.* China repeatedly rebuffed Vietnam's call for direct talks, insisting that Hanoi must take concrete, rather than merely symbolic, steps on the Kampuchean issue and in particular provide a timetable for the withdrawal of its troops.

In the event, it seems that the deadlock was broken by the Phnom Penh Government's announcement that a withdrawal of Vietnamese troops could be achieved by September this year – a significant advance on its previous position of withdrawing by the end of 1990.

Further progress in improving relations will itself depend on progress on the Kampuchean issue. China continues to demand that Vietnam accepts the five-point plan of Prince Norodom Sihanouk, and in particular the establishment of a quadripartite coalition government in Phnom Penh and the presence of an international peace *keeping force* to oversee the withdrawal of Vietnamese troops.

The contact between Vietnam and China is itself cause for optimism in this respect. Combined with the development of Sino-Soviet ties it provides a favourable environment for resolving the conflict. But while the external situation may seem to have improved, the internal dispute between the four Kampuchean factions fighting for influence in Phnom Penh remains bitter and complex. The last round of talks, which was held in France in December, broke up following the guerrilla coalition's rejection of the Phnom Penh government's peace proposals.

Despite these problems, Sino-Vietnamese rapprochement will be encouraged by the warming of diplomatic ties elsewhere in the region. In particular, Thailand, the conduit of Chinese arms to the Khmer Rouge, has taken steps to improve relations with its Indochinese neighbours.

Earlier this month Mr Siddhi Savetsila was in Hanoi on the first visit by a Thai Foreign Minister for 13 years. Do Muoi, the Vietnamese Prime Minister, described the visit as "a turning point".

A similar turning point has been passed in Thai-Laotian relations. In November last year, Mr Chatichai Choonhavan, the Thai Prime Minister, travelled to Vientiane on the first visit by a Thai premier for ten years. Another diplomatic first was achieved last weekend with the arrival in Bangkok of Mr Hun Sen, the Kampuchean Prime Minister, to discuss the Kampuchean issue and the repatriation of refugees from Thailand.

Should China and Vietnam follow Thailand's lead, a degree of stability will be accorded this volatile region. In any event, the traditional division between Peking and Bangkok on the one hand and Laos, Vietnam and Kampuchea already seems less sharp.

Bhutto saved from election in Baluchistan

By Christina Lamb in Islamabad

MS BENAZIR BHUTTO, Pakistan's Prime Minister, has escaped the need for elections in the volatile province of Baluchistan after a High Court overturned the Governor's decision to dissolve the provincial assembly.

The dissolution of the Baluchistan assembly on December 15 just four weeks after elections was the first crisis for Ms Bhutto's Government.

Baluchistan was the only province where Ms Bhutto's Peoples Party had formed a coalition with the opposition Islamic Democratic Alliance (IDA). Mir Zafarullah Jamali of the IDA was elected chief minister with a one-vote majority *and when one of his* members changed sides he asked the Governor to dissolve the assembly and hold new elections, because he could not secure a vote of confidence, required within 60 days.

Ms Bhutto's then-Law Minister initially defended the Governor's action, and the Prime Minister's protests that she was not consulted went largely unheard as she had been dining with the Governor the night he took the action.

The Baluchistan High Court's decision overturning the order comes as considerable relief to the Government which would face serious unrest if elections had to be held.

Burma rolls out red carpet for press tour

By Chit Tun in Rangoon

BURMA opened its doors at the weekend to the largest crowd of foreign journalists ever to arrive in the notoriously inaccessible state.

In total, 46 Bangkok-based journalists from Europe, the US and Far East accepted the Burmese Government's invitation for a free, three-day fact-finding visit.

Many of them were new to Burma and came more out of curiosity about a country virtually closed to newsmen for the past 26 years than in expectation of stories.

They were treated to traditional Burmese hospitality: billeted in the best hotels and travelling in two Burma Air Force Fokker aircraft between Rangoon, the capital, Loikaw and Taunggyi, capitals of the Kayah and the Shan states, Meiktila and Pagan, the 11th Century capital, in central Burma.

The trip was arranged to enable them to interview some of the students who have returned home from Thailand after fleeing Burma in the wake of the September 18 military takeover. The visiting press corps also had a meeting with Brig Gen Khin Nyunt, the powerful secretary of the State Law and Order Restoration Council, as the military government officially describes itself.

More than 170 students met the journalists, including two students listed by Amnesty International as missing after their return home. Reporters asked the students if they had been forcibly repatriated by Thai authorities and if their return was marked by arrests and ill-treatment in Burma. "No, not at all," was the stock reply.

At the end of the trip Gen Khin Nyunt told a press conference in Rangoon that reports of the arrest or harassment of students after their return home were ill-conceived. He said the Government had the same affectionate regard for the students as all "parents have for their offspring".

Gen Knin Nyunt said the Government's promised multi-party elections would take place only "when the 180-odd newly-formed political parties have completed their organisation work, have ceased wrangling among themselves, and law and order has been restored to the country".

The trip gave the journalists an insight into official Burmese reaction to foreign criticism. Meanwhile, the Government – which is understood to have spent Kyat 70,000 (£6,180) on the trip – hopes it has developed a new rapport with foreign journalists, who are some of Burma's loudest critics.

Lebanese Central Bank under pressure

Jim Muir reports on threats to the country's last unified institution

AFTER surviving 14 years of civil strife and political disintegration in remarkably good shape, Lebanon's banking sector is now teetering on the brink of a crisis which could make the Intra Bank crash of 1966 look like a minor ripple.

As in 1966, the origins of the current *crisis are as much* political as they are financial and economic. But unlike the situation in 1966, the surrounding economy is in much less resilient shape. What is more, the country's partitioned government is too paralysed to tackle an emergency which could threaten its last unified institution, the Central Bank, as well as shaking banking and business to their foundations.

"The rot has reached the last remaining good apple in the barrel," said Dr Elias Saba, a banker and former Finance Minister. "This is really serious. I can't see how the situation can be salvaged now."

The problem started with the collapse late last month of Beirut's Al-Mashreq bank, chaired by Mr Roger Tamraz, a Lebanese businessman. But bankers and officials at the Banking Control Commission (BCC) agree that it has developed into a big crisis because of the Central Bank's handling of the affair – and specifically, because of positions taken by Mr Edmond Naim, its governor.

Because of the Lebanese Government's paralysis in recent years, and especially since its partition into two rival administrations last September, the Central Bank has been able to assume unprecedented powers over the allocation of government money. A lawyer and university dean, he had no experience in banking when he was brought out of retirement to take up the governorship in 1983.

Mashreq fell when it was unable to meet the withdrawal demands of depositors alarmed by a spate of local media reports about the bank's lack of liquidity. The bank's problems are blamed by BCC officials on Mr Tamraz himself, a close associate of Mr Amin Gemayel, the former Lebanese President. Mr Gemayel appointed him chairman of the partly state-owned Intra Investment Company (IIC) in 1983, and through IIC, Mashreq and other acquisitions, he gained control of an estimated 22 per cent of the Lebanese banking sector.

Mr Tamraz's sin as far as the BCC is concerned is that he used Mashreq and other deposits on a massive scale for long-term investments, a practice severely restricted after the Intra crash.

Many of his deals involved militia chiefs, including Mr Walid Jumblatt, the Druze leader, and the Christian Lebanese Forces, whose airstrip at Halat he financed. But the Christian militia is now believed to have been behind the campaign which brought him down.

After Mashreq collapsed, the Central Bank agreed conditionally to underwrite claims on Mashreq by local *non-institutional depositors.*

The consequences are unpredictable, but one result could be the flight abroad of much of the $3bn held in foreign currencies by the commercial banks

But Mr Naim has refused to extend cover to Mashreq's overseas branches in Jordan and Qatar, and to its affiliates, the Banque de Participation et Placements (BPP), in France and Switzerland. Both of Lebanon's rival Prime Ministers – Dr Selim al-Hoss in Moslem West Beirut, and Gen Michel Aoun in Christian East Beirut – agreed that Mashreq's international commitments should be honoured.

Far from doing so, Mr Naim telexed the Central Banks of the countries concerned in early January, warning them that Mashreq was in distress – and triggering panic withdrawals which plunged the Mashreq branches and the BPP into deep trouble.

At risk now, bankers and politicians say, is the integrity of Lebanon's entire banking system, especially since the Central Bank is refusing to underwrite the international obligations of a bank in which it has a sizeable stake. The Central Bank has a 38 per cent shareholding in IIC, which in turn has 42 per cent of Mashreq. What is more, the IIC owns 99 per cent of Mashreq's BPP affiliate in France, while Mashreq itself owns all of BPP Switzerland.

The fear now is that other Lebanese banks abroad may find themselves under pressure. One result could be the flight abroad of much of the $3bn held in foreign currencies by the commercial banks. "No bank is safe if that were to happen on a massive scale," said Dr Saba.

Ironically, the row over the handling of the crisis has taken some of the heat off the man who triggered it in the first place. Mr Tamraz, who was stripped of the Mashreq chairmanship in early January and has been barred from travelling abroad, is living in fine style in West Beirut. "In a sense, it has relaxed me," he said. "The Central Bank was bothered because there was a fly called Tamraz on its cheek. Naim took a gun and shot it, rathern than waving it away or swatting it."

Rebels to send food supplies to Kabul

By Christina Lamb

THE Afghan resistance leadership has decided to send food supplies to Kabul to ease what are reportedly the worst shortages of the nine-year war.

Wheat, flour and kerosene will be taken to distribution points around the city from where civilians will be able to *claim free supplies.*

The decision comes after remarks on Soviet television that the inefficiency of the Soviet-backed Kabul administration was partly responsible for the lack of food.

The Pakistan-based resistance alliance hopes to win civilian support by the action and show that it could meet the needs of the people if it took over the capital.

Italy to pay for African drought warning service

ITALY has agreed to pay for the creation of a regional drought early-warning system for East African countries, the UN Food and Agricultural Organisation said yesterday, AP reports from Rome.

The $6m project will be developed by the East African *Intergovernmental Authority* on Drought and Development with technical assistance from the FAO, a statement said. It will be based in Djibouti and is expected to be completed by 1992. The computerised system, known as the Early Warning and Food Information System, analyses weather forecasts, crop assessments and nutrition studies to predict regional food shortages.

The East African Intergovernmental Authority was created in 1986 by the governments of Djibouti, Ethiopia, Kenya, Somalia, Sudan and Kenya to fight drought and other natural disasters.

Kaunda statement on Savimbi angers Unita

UNITA rebels accused Zambian President Kenneth Kaunda yesterday of insulting the Angolan people by urging rebel leader Jonas Savimbi to go into exile in the US, Reuter reports from Lisbon.

"Kaunda's statement is not only proof of his ignorance of Angolan *affairs* but also an unforgivable insult to our people," the National Union for the Total Independence of Angola (Unita) said in a statement distributed in Lisbon.

President Kaunda said on Sunday that a US offer of asylum for Mr Savimbi would facilitate talks between his pro-Western guerrillas and Angola's Marxist government.

The rebels, who have fought a bush war since Angolan independence in 1975, said national reconciliation talks were possible only with Mr Savimbi as leader of their delegation.

"Dr Savimbi is not the problem...He is the solution," said the statement signed by Mr Jeremias Chitunda, Unita Vice-President.

The rebels also accused President Kaunda of contributing nothing to the regional peace agreements signed last month by Angola, Cuba and South Africa.

Under the accords, the 50,000 Cuban troops based in Angola will leave by mid-1991 and a UN-sponsored plan for Namibian independence will begin in April this year.

Unita has been excluded from the peace process although diplomatic sources said the Angolan Government might reconsider its opposition to direct talks if Mr Savimbi were replaced. The four-nation Joint Monitoring Commission (JMC) which is overseeing settlements in Angola and Namibia has begun its first round of meetings in New York to discuss the practical implementation of the peace agreements.

Iran and Syria try to end Shia fighting

IRAN AND Syria began talks yesterday aimed at ending three weeks of heavy fighting between the rival Shia Moslem militias which they support in Lebanon, Reuter writes from Damascus. Officials said Mr Ali Akbar Velayati, the Iranian Foreign Minister, attended a meeting at the Damascus Foreign Ministry with his Syrian counterpart Mr Farouq al-Shara and Mr Nabih Berri, leader of Amal, one of the feuding militias.

Diplomats said that depending on progress at the talks leaders of pro-Syrian Amal could meet later with representatives of the rival Iranian-backed Hizbollah (Party of God). Fighting between the militias in Beirut and south Lebanon has killed at least 142 people and wounded scores more since January 1.

The two sides have been at odds since Hizbollah emerged with Iranian backing in 1984 *to challenge Amal's domination of Lebanon's 1.5m-strong* Shia community.

Mr Velayati, who arrived on Sunday night, has also had separate meetings with Mr Shara, Mr Berri and Hizbollah representatives. He told reporters after meeting Mr Shara that apart from tackling the Shia problem, they had also discussed *bilateral co-operation.*

Syria, Iran's main Arab ally in the eight-year war against Iraq, is the main foreign power broker in Lebanon, where it maintains 25,000 troops.

Mr Berri, speaking to reporters yesterday, repeated Amal's position that the fighting could stop only when Hizbollah handed over to Syrian troops the killers of three senior Amal officials. Amal says that Hizbollah gunned down Mr Daoud Daoud, Mr Mohammed Fakih and Mr Hassan Sabaiti in West Beirut last September, a charge Hizbollah has repeatedly denied.

The diplomats noted that Sheikh Mohammed Hussein Fadlallah, Hizbollah's spiritual mentor, was not in Damascus for the talks.

No fresh fighting has erupted between the militias in Lebanon over the past few days since Iran and Syria stepped up efforts to achieve a truce.

China investment up

Contracted foreign investment in China last year was $5.2bn, an increase of 42.4 per cent on 1987, the Ministry of Foreign Economic Relations and Trade told a news conference, Reuter reports from Peking.

Actual investment was $2.4bn, up 12.8 per cent. The top investors remained Hong Kong and Macao, followed by the US and Japan.

China is cutting foreign investment in hotels and office buildings but welcomes it in telecommunications, energy, *transport*, and production of raw materials, the ministry said.

Singapore deficit

Singapore's trade deficit narrowed in December to S$652m from a revised S$984m in November and S$752m in December 1987, the Government's Trade Development Board said, Reuter reports from Singapore.

It said imports rose in December to $8.26bn from $7.8bn in November and $6.65bn in December 1987, while exports rose to $7.61bn *from a revised $6.82bn, com*pared with $5.9bn a year ago.

Indonesia slowly creeps out of its decade-long crisis

John Murray Brown in Jakarta examines the effects of the country's reform programme since the oil revenues ran out

INDONESIANS can seem a fickle lot. Today, at the very moment the economy shows signs of a recovery, *President Suharto's cabinet* is divided over strategy, a state company is embroiled in a major row with the country's main trade and investment partner, Japan, and local businessmen are curiously complaining of "unhealthy competition."

Indonesia has never been a free market apostle. Yet by the standards of many developing countries its recent efforts to reduce its dependence on its main export, oil, have been bold and imaginative. The currency, the Rupiah, has been devalued, public spending slashed and some if not all of the privileged trade monopolies scrapped.

The thrust of the reform programme, orchestrated by Mr Radius Prawiro and other western-trained economists in the cabinet, has been to raise efficiency and boost exports at a time of uncertain external trading conditions. The measures also promote private enterprise in areas previously controlled by the state, aiming *at the maze of vested interests*

EAST ASIAN ECONOMIES

INDONESIA

which has thrived in this former plantation economy since independence from the Dutch.

In the 1970s, thanks to large oil receipts, Indonesia embarked on big infrastructure projects, from satellite construction to the founding of the state aerospace industry. In agriculture, by adopting interventionist policies, the country achieved *self-sufficiency* in rice, its main staple. While the economy grew at around 8 per cent annually, foreign investors were seduced by Indonesia's huge domestic market, though equity conditions were probably better elsewhere.

The situation has changed markedly since then. Growth has slowed sharply while oil *receipts are now half the levels* prevailing 10 years ago. Civil servants' salaries have been frozen for four consecutive years, although this year's budget allows for a 15 per cent increase. Indonesia's manufacturing base remains small, accounting for just 14 per cent of GDP.

Some government officials now fear that a fresh blast of trade competition could exacerbate the already appalling problem of income distribution. Indonesia is Asia's largest oil producer and the region's only Opec member. But it remains a poor country. Its 170m people enjoy a per capita income of less than $500 (£280).

"It's unfair to put us on an equal footing with countries like Malaysia and Thailand which have a comfortable population and a far more manageable geographic size," says Mr Doro Djatun Kuntoro Jakti, head of economics at the University of Indonesia. General Benny Murdani, the Defence Minister, warned recently that the current export drive *could* feed inflation in the rural economy, where 80 per cent of Indonesians make their living. Already the prices of key commodities *like rice have risen on* local markets.

In October, the Government was reminded in the starkest terms possible of the dangers of ignoring the domestic economy with the death of seven young Indonesians crushed in the stampede for jobs outside a provincial labour exchange.

Indonesia's problems remain familiar: a large foreign debt, near-endemic corruption, a stifled private sector, and the growing menace of unemployment. In 1987 the economy grew by just 3.7 per cent. For the current year, Bappenas, the National Planning Agency, is forecasting growth of around 4 per cent. In a speech in August, President Suharto said average growth rates would reach 5 per cent in the five-year plan ending 1993 – a figure most economists say is the bare minimum to absorb the 11m new job seekers over the period. Making matters worse, over half will be educated to high school level or better. "You can't expect these people *to go back to the farms*," says Dr Djatun.

Indonesia

At $50bn, Indonesia's foreign debt – both public and private – is now the highest in Asia. The yen's appreciation has not helped. Around 30 per cent of Indonesia's debt is denominated in yen, while most of its exports, including oil, earn dollars. Debt service costs, with principal repayments bunching awkwardly, are projected to absorb 40 per cent of the country's exports and 30 per cent of the routine budget expenditures in 1989-90.

Precarious as it is, many foreign bankers believe Indonesia can avoid a major debt rescheduling. Capital flight is choked off by interest rates of about 20 per cent, by far the highest in the region. There has been a marked improvement in debt management. Japanese banks recently agreed a new commercial loan carrying a dollar option, allowing Indonesia a hedge against adverse currency movements. The terms were also significantly better than on a similar borrowing in 1987.

Some bankers today speak of renewed confidence in the currency. But with the Government sticking to its free exchange policy, a run on the rupiah can never be ruled out. The high rupiah interest rates also hurt domestic investment.

The picture would almost certainly have been worse without the trade and investment reforms and a 31 per cent devaluation in late 1986, the third currency realignment in 10 years. In the first 11 months of 1988 the *Investment Board* approved 133 projects, worth a total of $4.17bn, against $1.46bn in 1987.

Existing joint ventures, many of them Japanese, have utilised excess capacity, switching to export lines in response to the Government's latest measures. The country's cheap labour costs have proved particularly *attractive* to Korean and Taiwanese companies in semi-skilled manufacturing

Government officials are now confident they can keep the current account deficit below $2bn, half the 1986 figure. Central Bank reserves also stand at a healthy $6bn, enough for about five months of imports.

As ever, much will depend on the *support of the country's* main aid donors. At the their annual meeting in June, they pledged a record $4bn, outdoing even the World Bank's recommendations. In particular, Japan's willingness to underwrite Indonesia's economy, which has been badly shaken by the recent aluminium trade dispute, is what in the end could well determine the success of the reform programme.

Peking satellite deal

China signed a $30m contract yesterday to launch an US-built satellite and officials said few obstacles remained in the way of Peking's goal of entering the lucrative commercial space market, Reuter reports

The scheduled 1990 launch of the telecommunications satellite Asiasat 1 has been overshadowed by claims in the US that technological secrets could be leaked to Peking during launches of western satellites and that China's low *prices are unfair competition.*

Japan spending

Japan plans to spend more both defending itself and helping out the Third World in the coming year, government officials said yesterday, Reuter reports.

Boost for industry

Malaysia will spend much of the $346m (£195m) it received from the $2bn Asean-Japan Development Fund to boost small and medium scale industries, Trade and Industry Minister *Rafidah Aziz said*, Reuter reports from Kuala Lumpur.

Malaysia, the world's top producer of rubber, palm oil and tin, has embarked on a massive industrialisation programme to reduce its *over-dependence* on commodities.

WORLD TRADE NEWS

Hyundai to contest EC container traffic levy

By Kevin Brown, Transport Correspondent

HYUNDAI Merchant Marine, the South Korean shipping line, is to appeal to the European Court against the imposition of a 26 per cent levy on container traffic between the European Community and Australia.

Hyundai said in a circular to shippers that it was withdrawing from the Europe-Australia trade immediately, but would restart services if the court were to rule in its favour.

The levy was imposed by the EC Council of Ministers after an investigation by the European Commission of allegations by rival shipping lines that Hyundai was benefiting from unfair government subsidies.

The decision marked the first use of penal duties to combat alleged unfair pricing in a service industry, and the first use of a regulation against alleged unfair price-cutting in the shipping industry.

Hyundai has always maintained that its pricing policy is commercially justified. It claims the imposition of the levy is an attempt to force South Korea to amend domestic legislation on subsidies.

The complaint against Hyundai's pricing structure was made by the eight EC shipping companies which are members of the Australia Conference that co-ordinates services and prices.

Hyundai's claim that it is fighting for open competition in a free market is supported by European shippers' organisations, which have benefited from the company's low freight rates.

Mr Jack Welsh, director of the British Shippers' Council, said some European exporters would now have to choose whether to withdraw from the Australian market, or to absorb the higher costs of one of the conference shipping lines.

"It is astonishing that, while the complaining lines who claimed injury continue to trade with fully laden southbound ships and rising prices, the alleged aggressors are forced to withdraw their service and their customers lose export business," Mr Welsh said.

However, it has also emerged that an alternative low-cost Europe to Australia service is being established by Sofrana Line, initially using a single ship starting from Felixstowe.

Sofrana operates in the South Pacific, where it has a slot chartering (container space) agreement with Hyundai's Pacific services. It was not clear what part Hyundai had played in the establishment of the new service to Australia.

Turkish glass-maker to expand

By Peter Montagnon, World Trade Editor

TRAKYA Cam Sanayii, the Turkish glass-maker, is planning a $142m expansion project which will allow it to double exports to 160,000 tonnes a year and turn it into one of the largest float glass producers in Europe and the Middle East.

The expansion will be carried out with the help of Pilkington of the UK and Toledo Engineering of the US, and is being financed in part by the International Finance Corporation, the World Bank affiliate which channels funds to the private sector.

It involves the installation by 1991 of a second float-glass line at Trakya's plant 150km from Istanbul. This will also permit local manufacture of coloured float glass, a product which Turkey now has to import.

IFC said it is to provide loan finance worth $55m as well as equity funds of $3.2m for the project. Of the loan finance, $30m will take the form of a subscription to a syndicated credit being assembled by Germany's Bank fuer Gemeinwirtschaft, Crédit Suisse, Morgan Guaranty and Austria's Laenderbank which will fund the bulk of the project's foreign currency needs.

Turkiye Is Bankasi, one of three shareholders in Trakya alongside IFC and the Sise Ve Cam glass concern, is arranging separately local currency finance equivalent to $15.7m.

Egyptair orders three Airbuses

AIRBUS Industrie has announced that Egyptair, the Egyptian state airline, has ordered three A320 jets with an option to buy three more, Reuter reports from Paris.

Egyptair has already bought eight Airbus A300s, and it placed an order in August 1988 for two A300-600R jets. Airbus said deliveries of its latest order will begin in 1990.

Firm sales of the A320 airliner now number 451, from a total of 24 airlines.

Record Japan steel imports

By Michiyo Nakamoto in Tokyo

ROLLED steel imports by Japan in 1988 rose 42.5 per cent, compared to the previous year, to a record high of 6.32m tonnes, according to the Japan Iron and Steel Federation. It attributed the increase to buoyant domestic demand and the lower price of imports due to the sharp appreciation of the yen against the dollar.

Domestic consumption of rolled steel last year is estimated to have risen 9.7 per cent to a record 67.7m tonnes, largely as a result of a significant increase in capital spending by major corporations.

Meanwhile, domestic crude steel production advanced 7.3 per cent to 105.67m tonnes, rising above the 100m-tonne mark for the first time in three years. Also last year, exports of all types of steel declined 8.6 per cent to 23.47m tonnes, while their value increased 21.6 per cent to $2.8bn due to the sharp rise of the yen.

Brussels to seek talks for ending meat row

By Tim Dickson in Brussels

THE EUROPEAN Community yesterday indicated its eagerness to explore all possible means through peaceful negotiations before embarking on a new round of retaliation in the transatlantic dispute over hormones in US meat exports.

Foreign ministers of the 12 EC states, meeting in Brussels, decided not to put into effect new trade sanctions against the US at least until after their next regular monthly session on February 20.

The move provides a short breathing space in the hostilities, and means that both sides will be looking to the forthcoming Council of the General Agreement on Tariff and Trade (Gatt) on February 8 to unblock the current deadlock.

The EC in particular is seeking *Gatt condemnation of* Washington's action on January 1, when it imposed 100 per cent duties on almost $100m of annual European food imports, itself a reaction to the EC's ban on $100m of hormone-treated American beef.

The foreign ministers yesterday invited "the new US administration to suspend unilateral measures in the meantime".

The officials presented their new decision as being at once tough and conciliatory, stressing that "the countermeasures will be put into effect unless there is satisfactory progress in Gatt or in bilateral negotiations with the US".

The fact that the foreign ministers did not set a specific date for exacerbating the dispute was seen by some observers as what could be a significant softening of the EC's hitherto resolute approach.

While agreeing to "take stock of the situation at its session on February 22", the Council approved the revised list of retaliatory measures by the EC.

These consist of raising customs duties to 100 per cent on walnuts in shell and certain dried fruit (apricots, peaches, prunes, apples, pears, pawpaws, and fruit salads).

US switches on TV of the future

Louise Kehoe on plans for investment in high-definition television

URGED on by their supporters in Congress and the Administration, a US electronics industry group last week announced plans to develop a detailed proposal for the formation of government-backed industry consortia to develop High Definition Television (HDTV) technology.

The industry group, sponsored by the American Electronics Association, includes representatives of 17 companies ranging from the computer giant International Business Machines to small specialist companies. Over the next two months, it will prepare a "business plan" for HDTV consortia. The plan will be, in effect, an investment prospectus, through which it is hoped that several US companies as well as the Federal Government will be drawn to invest in a partnership that will develop HDTV technology and manufacture HDTV products.

High definition television is the technology behind the TV set of the future – larger screens, sharper pictures and a shape closer to that of the cinema screen than the present squarish box. Some people say it is still years off, with three standards competing for acceptance – US, Japanese and European. The Japanese want to move ahead with HDTV, but the Americans and the Europeans advocate an evolutionary approach moving towards better pictures in a number of stages. The winners are still uncertain.

There is growing enthusiasm in Washington for some form of concerted effort to win a place for US companies in the anticipated $40bn market for this new generation of television technology. This is based on the belief that HDTV represents a unique opportunity for the US to re-enter the consumer electronics field, bringing benefits to all sectors of the electronics industry.

"The future of US electronics is what is at stake," Congressman Norman Lent, a New York Republican and member of the powerful Energy and Commerce Committee, declared at a recent consumer electronics industry meeting. "There is a growing consensus that HDTV is vital to our national economy and security."

"The US Congress is not going to want to see America left out of the creative origination of the next generation of television technology," Congressman Don Ridder, co-founder of the Congressional caucus on HDTV added.

The lawmakers' comments reflect the influence of a determined lobbying effort by US electronics executives over the past six months. As a result of these efforts, HDTV has become the new focus of the debate over US international competitiveness.

"High Definition Television means significantly more than entry to a lucrative new market and it is more than just a new type of television," explains Richard Iverson, President of the AEA, a 3,500-member trade group that has led the campaign.

"The semiconductor chips that will be required in these new television products will utilise the same technology as that needed for advanced computers, telecommunications systems, and defence systems, to name but a few.

"Should the research and development of HDTVs be in other countries, so too will the expertise that will develop and produce its components and allied products. This all means jobs, but it also means competitiveness."

While many aspects of the industry proposal have still to be worked out, what its planners have in mind is a limited partnership that would develop HDTV products and then manufacture them, for profit, on a large scale.

US TV RECEIVER MARKET – FORECAST

	1990	1995	2000	2005	2010
Standard sets - units (m)	22.9	22.3	14.7	8.2	4.2
- value ($bn)	8.7	9.8	5.6	2.0	1.3
EDTV - units (m)		1.0	9.0	13.0	12.0
- value ($bn)		1.0	8.1	9.7	5.4
HDTV - units (m)			1.0	6.7	11.0
- value ($bn)		0.1	1.5	5.4	6.6
Total US units - (m)	22.9	23.3	24.7	25.9	27.2
Total US market value ($bn)	8.7	10.9	15.2	17.1	13.3

EDTV: Enhanced definition TV - an intermediate stage
HDTV: High definition TV

Source: Projections prepared for AEA by Bill Mackintosh

The purpose of this partnership, according to Pat Hill Hubbard, the AEA's vice-president, will be to "capture or assist in the capture of a majority of the hardware markets associated with an anticipated US high- definition television business."

Only through such a collaborative effort will US industry win a share of the HDTV market, industry officials claim.

"Our industry has been devastated over the past 20 years by unfair trade practices that have eroded profit margins, making it impossible for any single company to make the investments required to enter the HDTV market," says a spokesman for Zenith Data Systems, the sole remaining US-owned television producer, and one of the companies represented on the AEA panel.

The precedent for government funding of industry consortia has been set by Sematech, a consortium aimed at advancing the technology for chip manufacturing technology.

The HDTV proposal takes collaboration a significant stage further, however, to include manufacturing and sale for profit of consumer products. But this raises new anti-trust questions.

Industry officials are confident, however, that legal barriers will not prevent the formation of HDTV consortia. They note that outgoing Commerce Secretary William Verity has called for revision of anti-trust laws to allow industry collaboration.

In a farewell speech last Friday, Mr Verity reiterated his view that "it (should) be possible for high technology companies or other companies to get together, not only just research together, but develop and produce together and market together and then compete."

Although Mr Verity retired when President Reagan left officelast week, his successor, Mr Robert Mosbacher, is said to share his views on this issue.

Having raised expectations in Washington, the US electronics industry must now decide how much it is prepared to invest in HDTV. To date, none of the companies involved in the planning stages of the effort have committed funds beyond those to pay for the preparation of the business plan, they stress. Neither are most of the members of the AEA's HDTV panel interested in entering the television market. Without industry commitments, however, these ambitious plans for a US HDTV industry cannot move ahead.

Gulf states press for EC liberalisation accord

THE six-nation Gulf Co-operation Council yesterday stepped up its diplomatic campaign to persuade a reluctant European Community to negotiate a trade liberalisation pact, writes William Dawkins in Brussels.

Mr Abdullah Bishara, GCC secretary-general, met the three European Commissioners responsible for industry, Mediterranean relations and energy. He urged the Commission to start talks on extending duty-free access to all GCC exports to the EC, including petrochemical products.

About 95 per cent of GCC exports to the Community enter free of duty. But the member states with the largest petrochemical industries are unwilling to drop tariffs on the sensitive petrochemical goods included in the remaining 5 per cent and surrender this protection against low-cost Middle Eastern competition. Yet the EC has an incentive to open trade talks with the Gulf so as to improve access for its own exports there.

One solution being canvassed in parts of the Commission is a step-by-step trade liberalisation, with safeguards to protect EC petrochemical producers if Gulf imports passed certain levels.

Dairy Crest to buy Unigate milk businesses

By Lisa Wood

UNIGATE, one of Britain's biggest home milk delivery groups, is selling nearly half its liquid milk business to Dairy Crest, the wholly owned subsidiary of the Milk Marketing Board, for £126m.

As part of the deal Unigate will acquire Dairy Crest's butter and milk powder creamery at Chard, a business valued at about £28m.

The deal will reduce Unigate's share of the liquid milk market – which includes doorstep milk deliveries and sales to supermarkets – from 22.7 per cent to 12.4 per cent and lift that of Dairy Crest from 6 per cent to 16.3 per cent.

Unigate yesterday denied that the deal was a defensive move, although it emphasised that the sale would strengthen earnings per share.

Unigate's mixed results in the past few years have given rise to some speculation that it may be subject to a bid. In the half year to October 1 the group, which owns the St Ivel and Shape brands, made taxable profits of £43.8m, a rise of 8 per cent on the same period the previous year.

It emerged recently that Mr Larry Goodman, the Irish entrepreneur, had built a 7.9 per cent stake in Unigate while, earlier this month, Avonmore Creameries, an Irish co-operative, informed Unigate that it held a 2.1 per cent stake.

It has been suggested that Mr Goodman would be interested in parts of Unigate should a third party mount a bid.

Mr John Clement, Unigate's chairman and chief executive, said the Dairy Crest deal underlined Unigate's commitment to focusing its operations in growth sectors within its core businesses of food and distribution services.

The deal will reduce the proportion of Unigate's operating profits attributable to liquid milk from about 30 per cent to 20 per cent.

Dairy Crest is acquiring seven processing plants and 89 distribution depots. These businesses will be integrated with Dairy Crest's existing Dairies Group.

Dairy Crest was incorporated in September 1987 as a separate commercial organisation to the Milk Marketing Board.

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The punter who lost on Japan

Stephen Fidler and Norma Cohen look at Terry Ramsden's career

For those who view the City of London as little more than a casino, the two dominant interests of Mr Terry Ramsden (right) - horse racing and international finance - seemed to have a natural fit.

Described in 1986 as one of the leading British recehorse owners with victories in the *Coronation Stakes at Ascot* and the Irish 2,000 Guineas to his name, he had almost 80 horses in training. The Racing Post described him as "the biggest punter in the history of the turf and the biggest British-based racehorse owner."

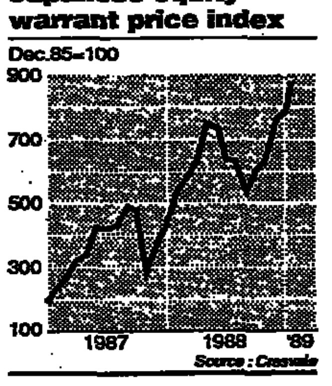
Yet according to Jockey Club, last year he disappeared from the register of owners. The word was that he had been forced to sell his string of horses because of losses suffered during the stock market crash in October 1987.

In the City, Mr Ramsden – who passed his 37th birthday last week – was perhaps best-known for his role in trading Japanese equity warrants, long-term options on Japanese stocks, although he also dealt in the shares of US and British companies.

The attraction to speculators of the market in Japanese equity warrants, which is denominated in US dollars, is the potential for large movements in warrant values when there are smaller movements of the underlying shares. When stock markets fall, equity warrants fall even more dramatically. Mr Ramsden described himself before the October 1987 stock market crash as "the largest player by a long, long way."

Glen International, Mr Ramsden's investment company, has posted substantial losses, according its accounts. In these documents, auditor Neville Russell said it could not determine, because it lacked the necessary information and explanations, whether Ramsden's dealings with Glen – said to amount to £343m – complied with the Companies Act.

Japanese equity warrant price index



The Department of Trade and Industry has been investigating the company since last May. According to the Observer newspaper on Sunday, the newly-established Serious Fraud Office has taken over the investigation. A spokesman for the Office, which deals with frauds amounting to more than £1m, would make no comment.

The Bank of England is also believed to have asked potential lenders to see if exposure to Mr Ramsden's companies raises any prudential concerns.

Mr Ramsden could not be traced for comment and the telephone number of his company, Glen International, was unobtainable.

Assessed at one time as being one of the 100 richest individuals in Britain, Mr Ramsden operated on the fringe of the City and was widely regarded as an outsider. The son of a postman, his *wealth was self-made.*

At one time he was director of 22 companies. He started working on the London Stock Exchange in the 1970s in the settlements and clearing area and subsequently traded foreign *stocks, particularly* Japanese, for a now-defunct stockbroking firm. He worked for Gresvale, a firm which specialises in equity-related securities, briefly in 1980 and later joined the stockbroker, T.C. Coombs, which he left to set up his own business.

He developed some notoriety in Japan by buying large blocks of warrants in Japanese companies. For example, he acquired a large stake in the world's top bearing manufacturer, Minebea and played a part in a hostile takeover attempt which failed.

In 1985, he was involved in litigation with Tokyo Sanyo Electric Company, claiming that the company had issued misleading facts related to foreign debt and shareholders' particpation.

Last May in the UK, he was cleared of evading payment of £536,000 Value Added Tax in a case, which he described as a show trial. "If my name had been Fred Bloggs, we would not have been in court."

Hospitals ready to weigh up options to ease debt worries

By Alan Pike, Social Affairs Correspondent

ST JAMES'S University Hospital at Leeds, in the north of England, the largest hospital in Europe, at present treats 600 children suffering from cancer with about 80 new cases joining its lists each year. Up to 90 per cent of these young patients come to St James's from outside its Leeds Eastern health district.

These figures help to explain why, when next week's Government review of state-controlled health care is published, many doctors and hospital managers around the country will scan the index eagerly to see whether it contains proposals for hospitals to opt out of direct health authority control. It is likely that it will, although the detail of how opting out will work will be all-important.

Mr Ian Donnachie, general manager of St James's, says the high proportion of children from outside Leeds who receive treatment for cancer-based conditions at the hospital is similar in many other specialist areas. And the position is much the same at many other teaching hospitals.

It is a long-standing grievance of teaching hospital doctors and managers that, because of the specialist facilities they provide, they draw a high proportion of patients from outside their own health districts. The hospitals have to treat a more complex – and consequently more expensive – case mix than other hospitals.

The sense of grievance comes not from having to do the work, but from the belief that teaching hospitals are not paid adequately for it. Mr Donnachie calculates that St James's would receive an extra £4m-£5m a year if it were properly rewarded for the complex work with children suffering from cancer and major spinal disorders, liver disease treatment and other expensive facilities which it provides.

If the Government's proposals make it easier for teaching hospitals to recoup the full cost of such treatment some are likely to be among the first candidates to run pilot projects in opting out.

"We do not yet know how *opting out is likely to be set up* and would have to look at the fine print before coming to any conclusion," said Mr Donnachie. "But we do have an accumulating debt problem arising from the provision of complex specialist services to people outside Leeds. We shall have to see whether opting out would help up address this problem."

Opted out hospitals would remain part of the health service, but would have greater freedom to raise funds and enter into contracts with health authorities and the private sector. It is likely that the Government will include in this the freedom to determine staff's pay and conditions outside the current national structure.

Some large hospitals would be equipped to make the transition to opted out status with little delay. Guy's, the famous London teaching hospital, for example, has developed a self-contained management structure in which medical staff are closely involved in running the hospital. It could soon be cut loose from its health authority ties.

But many points of detail will need to be resolved before hospitals are likely to make decisions in favour of opting out. The specialist work carried out at big teaching hospitals is by its very nature expensive. Would these hospitals attract all the work they currently undertake if they had to compete for patients under a market system? If they failed to maintain patient numbers, what implications would this have for their teaching function?

Opted out hospitals are among proposals intended to enhance choice within the National Health Service, and *introduce elements of true* competition.

The nodal point of these proposals is the internal market, a concept which has interested members of the Government's health care review for the past 12-months. Such markets could be within or between health authorities, as well as involving the private sector.

Last year the House of Commons Social Services Committee examined the potential advantages and disadvantages of an internal market as part of its own review of the NHS.

It concluded that there was a case for experimenting with the idea but warned: "If the concept of the internal market is to be taken further, it will require to be very carefully planned, monitored and assessed to ensure that too high a price is not paid for its benefits."

New rail link plan for east of London

By Kevin Brown, Transport Correspondent

A NEW rail link between central London and the Docklands area east of the city will be built if ministers can reach agreement with developers on financing, the Government said yesterday.

Mr Paul Channon, Transport Secretary, announced the formation of an East London Rail Study group to report by April on the best route for the line.

The study, by officials of London Regional Transport and the Transport Department, will look at a series of existing options for new lines, including possible extensions to the Jubilee and Bakerloo Underground lines.

It will also take into account proposals expected to be published later this week in a similar study into central London's rail needs, which is likely to include suggestions for improved access from east London.

The most likely scheme to get the go-ahead is a proposal by Olympia and York, the developers of a major Docklands site at Canary Wharf, for a fast rail link from Waterloo station to Greenwich via the Isle of Dogs. Olympia and York has offered to provide 40 per cent of the estimated £400m cost of such a scheme, but was unable to reach agreement with the Government and LRT in time to lodge a private Bill in the present session of Parliament.

Mr Channon wants negotiations completed in time to lodge a Bill in November, which would allow construction to start in 1991. The Government also plans to spend a total of £1.5bn on developing existing access to Docklands.

Airport firefighters to ballot on strike

By Jimmy Burns, Labour Staff

FIREFIGHTING staff are threatening a strike over pay and safety which could immobilise airports in England and Scotland next month.

The Institution of Professional Civil Servants, which represents most fire officers at seven airports run by BAA, including Heathrow, Gatwick and Prestwick, said it will organise a ballot on industrial action this weekend, with results expected in 10 days.

The ballot paper will ask fire officers to consider a three-staged campaign of protest, beginning with a work-to-rule and developing into a programme of three-day strikes.

Straw polls among the officers showed majorities of more than 80 per cent in favour of taking their first campaign of industrial action.

Only 70 to 80 officers are involved, but their presence at airports is required by the Civil Aviation Authority, the civil air regulatory agency, and any withdrawal of labour would force airports to close almost immediately.

The fire officers are opposing the decision by the BAA – formerly the British Airports Authority – to end central wage bargaining as part of its policy of devolving responsibility to its individual operating companies.

Most of BAA's 8,000 staff already bargain locally, and with the tacit endorsement of the unions. The fire officers argue, however, that they should be a special case. They claim that any break-up of the traditional negotiating machinery will undermine career structures and safety by making it easier for smaller airports to reduce staff levels and pay.

Mr Bill Brett, general secretary-designate of the IPCS, said last night: "This is a dispute over a principle not over pay . . . We believe that an emergency service is best provided on a national basis."

Mr Mike King, managing director of the BAA's airport division, said: "We cannot make an exception for 80 people out of a total workforce of nearly 8,000 . . . but rest assured that our standards of safety are paramount and will not be compromised."

PCs await judgement in hire purchase case

Addressing the jury, Mr. Creighton-Reed QC asked them to ponder the motives.

"In hiring, my client was admittedly motivated by financial gain – and knew full well that he could release valuable capital.

This, however, was but one reason for his actions.

On many occasions, he hired in order to accommodate periodic overloads – and on others, to evaluate new equipment.

Earlier this year, he drafted an entire vanload of PCs and ancillaries into a major exhibition – from which immense gain accrued to his Godfather, the chairman.

Stubbs claims that the ability to hire – at very short notice, and for any term from one day upwards – provides him with fixed costs, allows him to honour departmental budgets, and permits total flexibility.

(Indeed when, as referred to, he had to leave the country at short notice, he hired a lap-top for the purpose.)

Members of the Jury; there are as many cogent reasons for hiring micro computer equipment as there are ways in which a company can make more, while spending less.

In this, the last quarter of the Twentieth Century, it is, I submit, no crime to exploit them."

Stubbs: "Hired the hardware."

Smythe: "Believed he could buy anyone, anything."

Mr. Hamilton QC made a final address that was no less impassioned.

"Learned Counsel refers you to the motives for hiring – and his points are well taken.

Nevertheless, possession is 9 points of the law – so why should a man hire, when he may legitimately purchase?

Should he take the former course, will he not, from time-to-time, wish that this fine equipment was his own? Will not the phrase 'good money after bad' be evoked in his mind?

And should his chosen supplier be noted for its totality of service, will Smythe not draw comfort from knowing that most, if not all, of his resources are his own – to dispose of as he will?

Members of the Jury; while conceding that, from time-to-time, there may be just cause to hire, purchase is, on occasions, the solution of an honourable man.

I rest my case for the defence of purchase."

As Mr. Hamilton sat down, the judge raised a quizzical eyebrow.

In the public gallery, a computer salesman grinned broadly.

And from the dock came a clearly audible whisper of "prevaricating old twit!"

Summing up, Mr Justice Harbottle told the jury that this was a finely balanced argument.

"On balance, therefore, I must direct you to the only source of truly unbiased judgement, to a place offering both options with equal discretion – a place, moreover, in which hire may, at any time, be cost-effectively converted to purchase.

A place, above all, in which every aspect of delivery, service, training and back-up will be executed with the utmost expediency.

Capital, capital. The court will now adjourn for luncheon."

Bank 'watching buy-out trend, but not worried'

By David Lascelles, Banking Editor

THE BANK of England is watching closely the growth of highly leveraged financial transactions and the exposure of UK banks to them. It sees no reason to be unduly worried at the moment, however.

This relaxed view of what many see as one of the racier trends in finance was given last night by Mr Robin Leigh-Pemberton, Governor of the Bank, in a speech to Scottish bankers.

He said: "I would be concerned if the development of the leveraged buy-out (LBO) market here were to result in a profusion of unsustainable financial arrangements. But there is no reason why this should happen provided the banks and other lenders continue to make sound and prudent assessments of each proposition, and do not throw caution to the wind in the pursuit of fashion and fee income."

Mr Leigh-Pemberton's remarks were the first public judgment by the Bank of the LBO phenomenon which has swept the US in recent years

However, he said the practice had been slower to catch on in the UK for reasons to do with tax and institutional habits; and the exposure of the banks was not excessive. "At this stage," he said, "I do not think UK banks are involved on a scale that warrants special supervisory treatment; though this would need to be considered if there were evidence that the quality of bank assets was deteriorating as a consequence of leveraged transactions."

While there had been a noticeable increase in the gearing of UK companies in recent years which carried its dangers, Mr Leigh-Pemberton also went out of his way to point up the benefits of leveraged buy-outs in certain situations. "I would certainly not wish to suggest that present activity here is undesirable. For many businesses management buy-outs have been a useful source of new energy and direction."

The Governor's expressed view goes some way to explain the tolerant view taken by the UK authorities of highly leveraged bids and deals. Only one, the bid by Goodman Fielder for Ranks Hovis Macdougall, the foods group, was referred to the Monopolies and Mergers Commission on the grounds of its financing arrangements.

British life groups 'lead in response to AIDS'

By Eric Short

UK LIFE assurance companies have responded more strongly to threats posed by AIDS (Acquired Immune Deficiency Syndrome) than those in most other countries, a senior official in the Government Actuary's Department said yesterday.

Mr Chris Daykin, chairman of the Institute of Actuaries' working party on AIDS and directing actuary at the Government Actuary's Department, was speaking in a discussion on AIDS last night at the institute in London.

The working party has produced estimates of the likely numbers of AIDS deaths on various assumptions and made several recommendations based on those mortality figures for premiums, reserves, life insurance policy designs and underwriting.

Mr Daykin said that almost all life company actuaries had reacted strongly to the report. Premium rates had been substantially increased during 1988 and actuaries had made specific provision for future AIDS death claims in their liability valuations for 1987.

All life companies have also changed permanent health (long-term disability) insurance contracts by excluding from cover anyone giving a positive test for HIV, the pre-AIDS virus.

The life industry in most other countries has done little to change premiums, reserves or policy conditions, even though there is a significantly higher prevalence of reported AIDS cases than in the UK.

However, Mr Daykin conceded that the life assurance industry in these countries had moved faster than UK life companies in tightening underwriting procedures.

The working party recommended automatic blood testing on all people seeking life assurance for death cover of at least £50,000.

Life companies in the US and many European countries operate blood testing on all contracts for similar cover limits. UK life companies, however, still only seek automatic HIV blood tests in men for cover of at least £150,000.

Appeal Court explains decision to reject House of Fraser ruling

Lonrho claim 'without valid grounds'

By Raymond Hughes, Law Courts Correspondent

THE COURT of Appeal said yesterday that it had no hesitation in holding that Lonrho, the international conglomerate, had no valid grounds for challenging decisions made by Lord Young, the Trade and Industry Secretary, concerning the 1985 acquisition of House of Fraser, the Harrods stores group, by the Al Fayed brothers.

The court was giving its reasons for overturning last Friday High Court rulings that Lord Young must refer the acquisition to the Monopolies and Mergers Commission and reconsider his decision to defer publication of his inspectors' report into the acquisition while the Serious Fraud Office is deciding if it gives grounds for prosecution.

Lonrho is to appeal to the House of Lords and Lord Young has complied with the appeal court's holding order that he make a conditional reference to the MMC to keep the door open to Lonrho, pending final ruling by Law Lords.

The statutory period for a monopolies reference expired on Sunday.

Lord Justice Dillon said that Lord Young was said to have decided he had no discretion to publish his inspectors' report until he received clearance from the SFO and the Director of Public Prosecutions.

The SFO and the DPP, which were conducting their own investigations, had said publication of the report now would be likely to prejudice their investigations, and a fair trial if prosecutions resulted.

Lord Justice Dillon said that the question was not whether the SFO's and DPP's views were right or wrong, but whether they were so plainly wrong that no reasonable Secretary of State could have relied on them.

"Plainly that is not so," the judge said.

He said that the interest in the early publication of the inspectors' report went well beyond "the natural desire" of Lonrho and Mr "Tiny" Rowland, Lonrho's chief executive, "to say loud and clear 'I told you so'" if the report indicated that the inspectors had held major allegations by Lonrho against the Al Fayeds to be true.

"There is a public interest that people in financial circles should know whether or not the principal shareholders who control a company as important as Fraser are fraudulent rogues.

"There is also a public interest in knowing how the then Secretary of State" (Mr Norman Tebbit) "came to be deceived in 1985, if that was what happened, so that people can see if steps can be taken if possible to prevent the same thing happening again."

Lord Justice Dillon said that the Fair Trading Act criterion for a possible monopolies reference was whether the merger operated or might be expected to operate against the public interest.

"The mere fact that there was fraud in the course of a merger might require in the public interest that the fraud be uncovered and punished, but it would not necessarily follow that the creation of the merger situation did operate, or might be expected to operate, against the public interest."

There could be cases where prosecution was required but the FTA did not apply.

He concluded from the wording of the Act that all decisions were to be made by the Secretary of State.

"That is what I would expect in a field as politically charged and as important to the economy of the country as that of mergers of a size that would qualify for reference to the MMC."

The MMC came in in two ways, the judge said: it had to investigate and report when called upon to do so by the Trade Secretary, who could not exercise certain powers under the Act – such as ordering disinvestment if a merger were held to be against the public interest – without a report from the MMC.

Lord Justice Dillon said it had been argued that Lord Young had a duty to refer, but the Act did not say that.

He was bound to take into account recommendations made to him by the Director General of Fair Trading and by the MMC; he was not bound to follow them.

The minister had a very wide discretion whether or not to refer. Also, "it cannot be for the MMC to decide Government policy on political matters. That must be for the Secretary of State."

Lord Justice Dillon said he could not see why Lord Young should not be able to form his own view, on his inspectors' report, that a merger situation had not operated, or was not to be expected to operate, against the public interest in any respect which would warrant the exercise of any "unscrambling" powers in the Act.

The judge said that although the courts had recommended a "cards on the table" approach in judicial review proceedings, that could not have been intended to compel the Secretary of State to disclose the contents of his inspectors' report.

If Lord Young was not under a duty to refer he was entitled to conclude that "a reference is not appropriate because the unscrambling procedures are not the best answer.

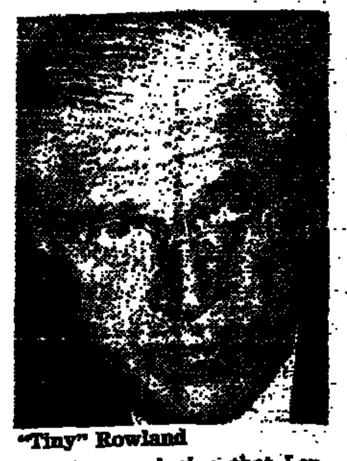
"What procedures are appropriate in a particular case must be a matter for the Secretary of State..."

Lord Justice Dillon concluded: "I reach without hesitation the conclusion that Lonrho has not made out a case that no reasonable Secretary of State could have refused to make a reference to the MMC."

Early in his judgment Lord Justice Dillon noted that House of Fraser asserted that the DTI inspectors had exceeded their remit, that they had not conducted their investigation fairly or properly, and that if their report were published it would not be covered by privilege in any defamation proceedings.

Lord Justice Dillon commented: "We apprehend that such sabre-rattling would not deter the Secretary of State from doing his duty."

Lord Justice Mustill and Lord Justice Stocker delivered concurring judgments.



"Tiny" Rowland

Structural fault 'unlikely' in loss of merchant ship

By Kevin Brown, Transport Correspondent

THE LOSS of the British freighter Derbyshire, which sank with all hands in a Pacific typhoon, was almost certainly not caused by a structural fault, a public inquiry reported yesterday.

Mr Gerald Darling, the Wreck Commissioner, said the ship had been properly designed and built, and that the possibility that it sank as a result of hull weakness was extremely low.

The inquiry report leaves the reason for the ship's loss in doubt but says a number of possible causes cannot be ruled out. The report was described as "disappointing" by Numast, the merchant navy officers' union, which spent nearly seven years campaigning for an inquiry after the Derbyshire sank with all 42 crew and two officers' wives in 1980.

The inquiry was ordered by Mr Paul Channon, the Transport Secretary, after the Kowloon Bridge, a Hong-Kong registered sister ship of the Derbyshire, broke up off the coast of Ireland

But Mr Darling's report effectively dismisses claims made during the 46-day long inquiry that all six ships of the Derbyshire's class might have suffered from similar structural faults.

Car output rises further on buoyant home demand

By Kevin Done, Motor Industry Correspondent

THE RECOVERY in UK car production strengthened last year with a rise of 7.4 per cent to 1.23m, the highest level since 1977, although still well below the peak of 1.92m reached in 1972.

Car production, boosted by record domestic demand in 1988, was also helped by rising production at Nissan's £610m car plant in north east England and by a virtual doubling at Peugeot's Coventry assembly plant.

UK commercial vehicle production rose 29.2 per cent to 318,677, the highest since 1980, from 246,728 in 1987, according to provisional statistics from the Department of Trade and Industry.

In the car market Peugeot of France moved from single to double shift working during 1988 and increased output from 46,341 cars in 1987 to 77,642. It increased exports of cars from 6,132 in 1987 to 24,836.

Nissan began small-scale assembly at Sunderland with the production of 5,000 cars in 1986 and raised output last year to 56,000 from 29,000 in 1987. For UK production statistics Nissan cars have been regarded as UK output since local content exceeds 50 per cent. Jaguar raised output by 8 per cent to 51,939.

British Coal seeks 1,300 more job cuts in England, Wales

By Maurice Samuelson

BRITISH COAL said yesterday it wanted 1,300 more redundancies in pits throughout north-west England, North Wales and the Midlands.

They are part of a rationalisation drive to cut by 20,000 the number of underground workers from the present 80,000 by the end of the next financial year.

The Corporation wants to avoid compulsory redundancies and hopes to meet the latest cuts with the inducement of enhanced severance payments over the next few months.

British Coal's office at Stoke in the Midlands said that more than 1,100 job cuts were being sought among the 7,935 miners employed in nine pits in North Staffordshire, Lancashire and North Wales, which make up the Corporation's North West Group.

Of these job cuts, some 612 redundancies are being sought in the four Staffordshire pits and another 523 in the four surviving Lancashire collieries.

A further 250 redundancies are being sought at the large Shirebrook colliery in the Midlands, which employs more than 1,600.

Most of British Coal's hard-core loss-making capacity has been eliminated and the Corporation says that the bulk of the latest cuts are aimed at improving the collieries' survival prospects. However, 300 of the redundancies apparently presuppose the closure of Golbourne colliery, part of the three-pit Bickershaw complex, near Leigh.

In Staffordshire, more than 40 per cent of the 600 miners at Holditch, near Newcastle-Under-Lyme, indicated they would accept voluntary redundancy when polled by management late last year, the Corporation said.

Miners in South Wales and Scotland have demonstrated that they are prepared to take redundancy in recent pithead ballots.

Workers at the 650-man Cynheidre anthracite mine recently voted to fight a management closure plan through the independent colliery review procedure. But the workforce has changed its mind and voted decisively against doing so.

The about-turn came after British Coal shelved plans to develop a drift mine at nearby Carway Fawr which would have promised continued employment once Cynheidre's economic reserves had been exhausted.

Miners at Bilston Glen, which employs more than 1,200, have agreed to accept up to 400 job losses as part of a management bid to prevent outright closure.

Not all miners are prepared to go without a fight. The 720 miners at Marine colliery in South Wales, which the Corporation also wants to close, are to challenge the move and have not yet changed their mind.

Surveyors report fall in London house prices

By Andrew Taylor, Construction Correspondent

HOUSE prices in parts of London have fallen by up to 5 per cent in real terms since autumn, says a house price survey published today by the Royal Institution of Chartered Surveyors.

The institution, which interviewed 188 estate agents in England and Wales, said a lack of first time buyers had left the housing market bogged down, though inquiries from potential house purchasers had picked up since the New Year.

The survey said prices were continuing to rise in northern England but more slowly than previously.

"Potential first time buyers, cautious of current mortgage rates are steering clear of the housing market," said the institution.

It said that first time buyers held the key to breaking housing chains. They would not return until Mr Nigel Lawson, the Chancellor of the Exchequer, had made clear the prospects for future mortgage interest rates.

More than a sixth of agents nationally said that prices had fallen during the three months to the end of December. Fifty five per cent said prices had remained static.

One agent in the west London suburb of Ealing said that enquiries from would-be purchasers had halved in the three months to the end of December. Another agent, from Southgate in Middlesex, said that prices had fallen by 5 per cent in real terms since the end of September.

Mr Len Norris of Folkard & Hayward of Islington said: "There has been a dramatic fall in activity. Prices of good quality homes have been static while everything else has fallen."

There had been an increase in inquiries since the New Year but not enough to encourage higher prices. The national survey showed that price increases in regions like the East Midlands, which previously had been rising sharply, had slowed considerably following higher interest rates last autumn.

An agent from Grantham in Lincolnshire said: "The market has levelled off in the past few months with many buyers awaiting the New Year and any changes that may occur with the mortgage rate."

Welsh businesses in European link-up

By Anthony Moreton, Welsh Correspondent

THE WELSH Development Agency is to set up a match-making service to link companies with those in continental Europe as part of its drive to make businesses more aware of the 1992 single market.

The intention is to help Welsh companies to find suitable business partners in the rest of Europe through the use of a computer database.

Mr Gwyn Jones, chairman of the WDA, said the agency would act as a "source of information, a conduit. Then it is up to individual businesses to make the contacts."

The match-making service is one of a number of initiatives the agency will be taking to help ensure Welsh companies are fully prepared for 1992.

A series of workshops, beginning with the food and drink industry, is to be held in the spring to bring home the implications of the opening of the market.

Other sectors will follow subsequently and there will be a series of seminars on specific subjects. An information service is to be set up detailing aspects of European business and activity.

Personnel issues

A nightmare which must be confronted

By Charles Batchelor

When Mike Oakey became managing director of Stewart-Warner Instruments, the company was making losses, relations between management and the 100-strong workforce were poor and the coffee machine, Oakey estimates, was 15 years old.

Just over a year on and the Letchworth, Hertfordshire-based manufacturer of speedometers and tachographs is "reasonably profitable." Senior management has been given a shake-up, a major effort has been made to improve communications with the workforce and a new coffee machine has been installed.

While much of the improvement in the company's performance has been due to measures such as the introduction of tougher financial controls (Stewart-Warner's US parent was taken over by BTR, the British conglomerate, a week after Oakey arrived), Oakey says the introduction of sensible personnel policies has also played a considerable part.

Oakey called in a consultancy he had used at a previous employer to review wage levels and create a rational salary structure throughout the company. He revived the system of monthly works committee meetings where workforce issues like the coffee machine and the need for lighting in the car park are dealt with.

"When I came there would be ten or 12 items on the works committee meeting agenda whereas this month there are only three," says Oakey. "When I say we will take action on something then we do it. As long as the proposal is sensible we react as quickly as we can."

But Oakey's review of personnel policies has had to go further than this. Administration of matters such as contracts of employment and personnel records was "fairly messy" and has had to be tidied up. The company's health and safety booklets have been reviewed and re-edited and a procedure for handling grievances introduced.

Stewart-Warner was not alone in having problems with its personnel policies. The owner/manager of the smaller company, whether it is an independent group or part of a larger organisation, often puts personnel matters way down his list of priorities.

"Managers will spend hours poring over a proposal to invest £10,000 in a machine which will last three or four years but they spend less time thinking about employing people who will cost them much more and who could stay with the company for 10 or 20 years," says Chris Jones, a principal industrial relations officer at the Advisory Conciliation and Arbitration Service.

Part of the problem is the complexity of legislation covering employment issues — at least six different Acts of Parliament cover issues such as equal pay, sex and race discrimination, and employment protection — and also the mounds of detailed paperwork.

"The people who run small businesses are not administrators, they are engineers or designers," says Peter Moon, the consultant who advised Oakey. "When they have to deal with paperwork they don't understand they push it to the back of their desk."

Dealing with the mass of administration that comes with handling PAYE, drawing up contracts of employment and laying down disciplinary and grievance procedures comes as a shock for the very small company and many do not expand beyond employing family members for this reason. "Getting involved in this for the first time for an employee is a nightmare," comments Stan Mendham, chief executive of the Forum of Private Business, which has 12,500 small business members.

But it is a nightmare which small companies will have to confront in future as they battle against each other and their larger rivals for the dwindling number of new workers who will come on to the market in the 1990s as lower birth rates start to have an impact.

The main problem for the owner/manager of a growing company lies in recognising that the management style he adopted for dealing with his workforce in the early stages may no longer be appropriate.

Close personal ties between the small business owner and his staff are an advantage in the early stages since both are strongly committed to the company's success. But as the company grows, these ties can stand in the way of proper personnel management.

"When a company has fewer than 50 people the boss knows everyone," says ACAS's Jones. "Most companies of that size are not unionised and the company is like a family. But once the company grows to 150-200 employees the boss can't cope, people are treated inconsistently and jealousies develop. The employees may say they want a union and the boss wonders what has happened to the happy family."

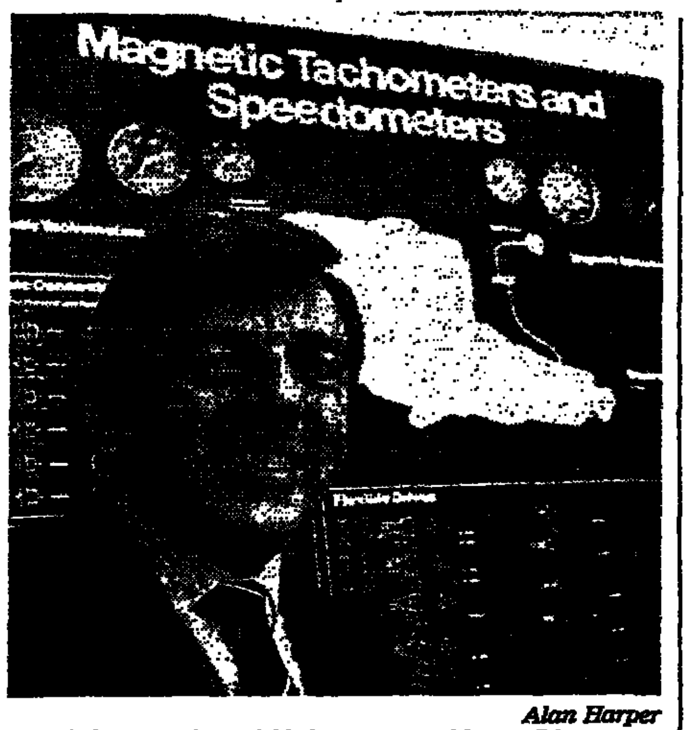
Because relationships between the boss and his staff are so close in the smaller company matters of discipline are often avoided until they become too obvious to ignore and the issue blows up.

Mike Barraclough, an industrial consultant, cites the case of a retailer who suspected that one of his three employees was taking money from the till but was unable to discover which one. Finally, the exasperated shopkeeper sacked all three for suspected theft, giving them no opportunity to deny the charge or explain their actions.

They reacted by taking the employer to an industrial tribunal alleging unfair dismissal and won £3,500 each in compensation. The combination of the awards and legal costs destroyed the business.

But it is not only in responding to crises that the growing company must have a well thought-out policy towards its employees. Sound personnel policies should permeate every aspect of the business.

Recruitment must be organised so as to attract the right staff in the first place. Growing companies can ill afford the cost of finding and training staff who subsequently turn



Alan Harper

Mike Oakey: reacting quickly if the proposal is sensible

out to be unsatisfactory. "Small companies don't have large budgets for recruitment," says Moon. "They will put small, grubby adverts in the newspaper and hope to get high quality people."

To keep people once they have been taken on companies must have a properly designed salary structure which reflects both the rates competitors pay and the role of the individual within the organisation.

"When you have got 150 people you cannot just pay them on the basis of supply and demand," says Peter Barnett, head of Barnett Consulting Group. "You can't do salary planning or work out what your payroll will be next year unless you grade your staff."

Hamilton Insurance, a Bracknell, Berkshire-based company which now has 55 staff, decided it needed a more formal method of evaluating jobs and salaries 18 months ago when it employed 40 people.

"At that time job evaluation consisted of my saying 'I think this job is grade so and so,'" says Andrew Ferguson, finance director. "I used a system I had learned at my previous employer. But if anyone queried my evaluation it was difficult for me to explain the reasons for my decision." He called in Barnett to devise a more objective evaluation scheme.

As the scope of personnel work grows it becomes too much for a hard-pressed managing or finance director to do alongside his other tasks. Hamilton Insurance decided that its 55 employees needed the services of a personnel manager. "She takes the burden off our shoulders and, because she specialises in this area, performs the job to a much higher standard," says Ferguson.

Opinion differs on the size at which a growing company needs a full-time personnel specialist but most estimates range between 100 and 250 employees. "When you get to 150 people and your turnover is £3m or more the people question starts to become quite a big one," says Barnett. "Then you need a person on your payroll to deal with it."

But, whether a company decides it needs its own full-time specialist or retains a consultant to advise, the important thing is that it is aware of the personnel issue. "A company may be making money but it is building on shallow foundations if it hasn't got the people side right," warns ACAS's Chris Jones. Sometimes something as simple as an efficient coffee machine needs to be part of those foundations.

USEFUL READING. Employing People. The ACAS handbook for small firms. Free from ACAS regional offices. Hiring and Firing. Employing and Managing People by Karen Lanz. NatWest Small Business Bookshelf Pitman. £5.95. For names of local consultants contact the Institute of Personnel Management, IPM House, 35 Camp Road, London SW19 4UW. Tel 01-946 9100.

Private investors

Not just a wing and a prayer

Charles Batchelor explores the role of "angels"

How does the smaller company raise finance when its banker and the venture capital industry have both said no? Increasingly, in Britain, small businesses are turning to the private investor as a source of finance.

Six small business owners last week made their pitch to some 30 would-be investors at a meeting in London arranged by the Local Investment Networking Company (LINC), a business introduction service run by 13 enterprise agencies from around the country. In London meetings are held at the London Enterprise Agency.

Dennis Foster outlines plans to expand Paper Tec (UK), his document shredding business, if he could raise a further £250,000. Foster took out an import licence for a range of West German-made shredders after spending several years selling copiers and then branched out with his own lorry-mounted shredder which travels from office to office in the City destroying sensitive documents for his customers.

Stephen Clark, an accountant, wants £70,000 to expand the mail order business he has developed selling public address systems and video and audio equipment to Britain's 50,000 churches. Some of the money will also go to help Triumph Communications open up the market for an induction loop system, used by the hard of hearing, which it has developed.

Alum Bati, a barrister, is more ambitious in his plans and wants £500,000 to open a chain of five up-market shops selling homeopathic and vitamin products under the Curatif label. LINC usually limits funding requests to £150,000 to avoid competing with the venture capital funds but in this case Bati could get a pilot shop going with just £100,000-£150,000.

The other three businesses which are presented are a supplier of micro-computer systems, a lingerie mail order business operating on the Interflora principle, and a company marketing an ingenious device which would allow householders with no conventional garage space to lower their car on a hydraulic ramp into an underground chamber in their front garden.

All six businesspeople at the meeting make their 20 minute presentations and then take questions from the audience. The investors, mostly men, have either retired with a golden handshake; have sold their businesses and are looking for an alternative investment; or have highly paid jobs which have allowed them to save enough to back a venture of this sort.

Some want merely to be passive investors while others want to play a part-time or full-time role at the company in which they invest, explains David Wood, LINC's general manager. Unlike conventional

> The investors have either retired with a golden handshake; have sold their businesses and are looking for an alternative investment; or have saved enough to back a venture

providers of finance, the private investor will often take a longer term view of his investment, will not demand high fees to provide the finance and, unlike the banks, will not require the businessman to sign over his home and business as security.

Paper Tec's Dennis Foster says afterwards that he was disappointed with his presentation because he found it difficult to gauge his audience. But six of the investors have given him their business cards and he has handed out two copies of his detailed business plan and promised two other people he will send one on later.

Stephen Clark, who is a lay preacher as well as a businessman, has a polished, confident manner and backs up his talk with a video made in his company's own workshops. He is questioned, though, on how he intends to build a nationwide installation network for his equipment.

In fact, says David Wood, investors appear not to let themselves be influenced by the quality of the presentation. David Rome, who has had only a few days to prepare his talk about Knickerline, the mail order service, has none of the visual aids which the others have brought along but three investors say they are interested.

The questioning of the proposals is very mild – though doubtless the investors get tougher as they get closer to taking a decision on whether or not to put their money in – but Alum Bati's plans for Curatif provoke some disbelief. Some of the audience are sceptical that he could get the prime sites for the stores he wants for the money he has budgeted.

Bati says he had previously approached half a dozen venture capital organisations for funds but was told they had no money left to finance start-ups. One venture capital group is still interested, though, but wants Curatif first to find a managing director. At present Bati is chairman in his spare time while the other directors all come from the design agency which hasdrawn up plans for the shops.

David Rome has been in touch with venture capitalists and has also tried writing to a number of successful entrepreneurs to see if they will back the business; but nothing has yet resulted from these moves.

David Lane of LINC says that on average two of the six businesses which are presented raise finance from the private investors. Sometimes though none is successful while one previous meeting produced backing for four of the businesses. Depending on how popular the business is it may take anything between 10 days and four months for the deal to be agreed between the investor and the company.

Raising business finance from private individuals is still in its infancy in Britain though in the US "business angels" are estimated to have twice as much money available to invest as the professional venture capital industry. With the venture capitalists in the UK unwilling to provide smaller amounts of capital and the banks unable to provide equity finance the private investor could have a useful role to play.

Contact LINC at London Enterprise Agency, 4 Snow Hill, London EC1A 2BS (Tel 01-236 3000) or through local enterprise agencies.

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The Financial Times proposes to publish this survey on:

21st February 1989

For a full editorial synopsis and details of available advertisement details please contact:

Jacqueline Keegan on 01 248 8000 ext 3740
or write to her at:
Bracken House, 10 Cannon Street,
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Tel: 021-200-2828. Telex: 337839.
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The company, which specialises in transporting petroleum spirit, gas, oil and Derv by river from Immingham to Nottingham, operates from 2 leasehold locations in Nottingham and has a storage capacity of approximately 3.95 million litres.

For further details, contact the liquidator, Hugh A Sinclair or Richard A B Saville at Deloitte Haskins & Sells, Cumberland House, 35 Park Row, Nottingham, NG1 6GR. Telephone: 0602 419066, Fax: 0602 470862.

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For further details, write Box H4328, Financial Times, 10 Cannon Street, London EC4P 4BY

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For Sale

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£3,000
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01 878 7758

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Principals only.

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Profitable well established business dealing in prestige, up market cars. Turnover approximately £4m. Excellent stock. Modern large showroom holding 25 cars.

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Superb 38 Bed Seafront position 3 Crowns but easy upgrade to 5 Crowns. Confirmed Conference income exceeds £300,000 for 1989. Excellent Development potential. Offer in excess £2M. Principals only.

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FT LAW REPORTS

Invalid poll at adjourned meeting

BYNG v LONDON LIFE ASSOCIATION LTD

Court of Appeal (Sir Nicolas Browne-Wilkinson, Lord Justice Mustill and Lord Justice Woolf): December 21 1989

THE CHAIRMAN of a company meeting has power at Common Law to adjourn it of his own will, though the articles provide that he can adjourn only with the members' consent, if their view is unascertainable and adjournment is necessary to enable them to debate and vote on the resolution for which the meeting was called. But where he decides to adjourn to a time and place without taking into account the fact that some members will not then be able to debate and vote, the adjournment is invalid and business conducted at the adjourned meeting is a nullity.

The Court of Appeal so held when allowing an appeal by the plaintiff Mr Byng, from Mr Justice Vinelott's decision dismissing his claim that all business at an adjourned extraordinary general meeting of the defendants, London Life Association Ltd, was invalidly conducted.

THE VICE-CHANCELLOR said that early in 1988 London Life started merger negotiations with Australia Mutual Provident. Agreement was reached, conditional on completion taking place by March 31 1989.

Notice of an extraordinary general meeting of London Life to be held at Cinema 1 the Barbican at 12 noon on October 19 was duly given. The purpose was to pass a special resolution to amend the memorandum of association to include a general power to transfer the business.

The proposed merger gave rise to opposition and it became apparent to the board that the meeting was likely to be better attended than the ordinary run of general meetings. The cinema could seat 280 people. The board booked two overflow rooms and additional accommodation in the foyer. There was to be an audio visual link between the overflow rooms, the foyer and the cinema.

Anxious that the overflow provisions might prove inadequate, the board booked another room at the Café Royal for between 1.30 pm and 5.00 pm as a precaution.

On October 19 the cinema became overcrowded and members unable to gain access were diverted to the overflow rooms and the foyer. The meeting was delayed till 12.30 pm. The audio visual link was deficient. There was no direct link from the overflow rooms to the cinema.

The arrangements were plainly unsatisfactory. However, Mr Dawson, the chairman, decided to open the meeting at 12.30 pm. Registration was not then complete. As soon as the meeting opened a member rose to object that it was not fair to start while people outside were trying to get in. Others proposed that the meeting be adjourned. The plaintiff, Mr Byng, proposed an adjournment *sine die*.

The chairman proposed adjourning to the Café Royal at 2 pm. A policy holder said such an adjournment would exclude those who could not attend at 2.30 pm. He received support from the floor. The chairman then adjourned the meeting to the Café Royal at 2.30.

At the meeting in the Café Royal there was an orderly debate. A vote and poll were taken and the resolution was passed.

Article 18 of London Life's articles of association provided that the chairman might with the consent of any meeting, adjourn the meeting "but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at a meeting from which the adjournment took place." It was common ground that no business could have been validly conducted at the meeting in the Barbican.

The issue was whether the chairman did validly adjourn a "meeting." If there was no valid adjournment the business purported to be done at the adjourned meeting would have been invalid.

Mr Potts for Mr Byng submitted first, that the assembly at the Barbican was not a meeting, and so the chairman could not adjourn it. He said that for there to be a meeting everyone must be in the same place, face to face. He relied on the fact the requirement in section 378 of the Companies Act 1985, that an extraordinary resolution had to be passed at a general meeting, had a statutory history dating to long before the invention of audio visual links.

The submission was not accepted, the rationale behind the requirement for meetings in the Companies Act was that members should be able to attend in person to debate and vote.

Until recently that could only be achieved by everyone being physically present in the same room. Given modern technological advances the same result could now be achieved without their coming face to face. They could be electronically in each other's presence so as to hear and be heard, and to see and be seen.

In cases where the original venue proved inadequate, valid general meetings could be properly held using overflow rooms, provided all due steps were taken to direct people to the overflow rooms and that there were adequate audio visual links. The fact that a meeting could not pass a valid resolution did not necessarily mean there had been no meeting at all.

There was no absolute rule of law that a meeting from which members were excluded was a nullity. There was no good reason why the law should shut its eyes to the reality that, in response to a notice, members of the company had assembled together at what, in ordinary usage, would be called a meeting.

What that meeting could validly do was quite another matter.

There was no reason why, as common sense suggested, the assembly at the cinema should not in law constitute a "meeting" within the meaning of that word in the Companies Act and London Life's articles.

It followed that Mr Dawson was chairman of a meeting and had all the powers of chairman.

Mr Potts's second submission was that even if there was a meeting, Mr Dawson had no power to adjourn it without members' consent, since article 18 so provided.

At Common Law a chairman, in regulating the proceedings, had to do all acts necessary to give those entitled a reasonable opportunity of voting (see *John v Rees [1970] Ch 345, 379.)*

Mr Potts submitted that the chairman's power to adjourn having been expressly laid down in article 18, there was no room for any implied power at Common Law.

The submission was rejected. Article 18 regulated the chairman's power of adjournment to the extent that its machinery was effective to cover the contingencies which occurred.

There was no principle of construction which required the court to hold that an express provision regulating adjournment when the views of the meeting could be ascertained, necessarily excluded the existence of implied powers when consent could not be obtained.

Accordingly, where there was a meeting at which the majority view could not be validly ascertained, the chairman had a residual Common Law power to adjourn so as to give all entitled persons a reasonable opportunity of voting and speaking at the meeting.

Mr Potts's third submission was that even if there was a meeting which Mr Dawson could adjourn without consent, he did not validly exercise such power.

Mr Justice Vinelott held that Mr Dawson validly exercised the power to adjourn. His Lordship disagreed.

The nature of the residual power to adjourn was that it was exercisable only when the machinery provided by the articles had broken down. The residual Common Law power was tightly circumscribed by reference to the objects for which it existed. The purpose of the power was to facilitate the presence of those entitled to debate and vote. The chairman's decision must be taken reasonably with a view to facilitating the purpose for which the power existed.

Accordingly, the impact of the proposed adjournment on those seeking to attend the original meeting and the other members must be a central factor in considering the validity of the chairman's decision to adjourn.

Mr Dawson gave evidence of the factors which most persuaded him to adjourn to the Café Royal. There was nothing to suggest that he took into account the fact that there was no absolute necessity to obtain approval of the merger until March 31 1989, more than five months away. Nor was there anything to suggest that he appreciated that those who could not be at the Café Royal would not only be unable to speak, but would be unable to vote even by proxy, in that, under the articles, proxies had to be deposited 48 hours before any adjourned meeting.

Although Mr Dawson acted in complete good faith, his decision to adjourn to the Café Royal on the same date was not one which he could reasonably have reached if he had properly apprehended the restricted nature and purpose of his powers. His decision was invalid.

The appeal was allowed. The meeting at Cinema 1 was not validly adjourned, and proceedings conducted at the meeting at the Café Royal in the afternoon were invalid and of no effect.

Lord Justice Mustill gave a concurring judgment, but would have held that the attempts made at the Barbican did not amount to a meeting capable of prorogation to the opinion at the Café Royal on Mr Dawson's initiative. He said the man in the street would have been more likely to describe it as a meeting which London Life had tried to hold, but which never got off the ground. Lord Justice Woolf concurred with the Vice-Chancellor.

For Mr Byng: Robin Potts QC and Nigel Davis (Farrer & Co).

For the company: David Oliver QC and Robert Hildyard (Herbert Smith & Co).

Rachel Davies
Barrister

TECHNOLOGY

Batteries in need of a supercharge

Della Bradshaw looks at the demands created by a growing array of portable equipment

With an increasing number of businesses relying on battery technology to power such indispensable tools as portable computers, radio-pagers and mobile telephones, the limited life of battery cells has become more than an inconvenience.

The news from the world's battery manufacturers, which produce 28bn of consumer batteries a year, is that developments are under way to introduce a lighter, more powerful all-purpose battery in the 1990s. It will be based on lithium, a metal already used in some specialist batteries. In the meantime, developments in longer life and rechargeable batteries, particularly for cordless domestic equipment, are making life easier for consumer and businessman alike.

Battery cells are built around an anode (a metal), a cathode (usually a metal oxide) and an electrolyte (usually a water-based liquid). When the battery is in use, oxygen moves from the cathode to the anode and as the anode is oxidised it gives off electrons – the electric current.

There are two types of battery: primary, which is used only once, and rechargeable. The main primary ones are:

- zinc carbon, the older type of consumer battery;
- alkaline, similar to zinc carbon but longer lasting;
- silver oxide and silver alkaline, button cells used to power calculators or watches;
- lithium, which is increasingly replacing the silver battery in cameras and remote control units for televisions;
- zinc air, a button cell in which a zinc anode reacts with oxygen from the air. It incorporates a membrane with holes big enough to allow the oxygen to pass through, but too small to allow the electrolyte to leak out. It is most efficient when used continuously, in hearing aids or radio-pagers.

Rechargeable batteries come in two types: lead acid, mainly used in cars, and nickel cadmium (NiCad). The latter is used in portable computers, mobile telephones and rechargeable domestic appliances, such as torches and drills, as well as for batteries which can be recharged at home.

For domestic use, rechargeable batteries and chargers account for only 3 per cent of the UK market – the lion's share still goes to zinc carbon and alkaline units. "I think it comes down to the fact that we are a lazy race," says Gerry Ware, industrial sales manager in the UK for US battery specialist Duracell. "When we want to use something, we want to use it now, we don't want to have to plan days ahead so we can recharge the batteries."

With primary batteries, the more expensive but longer lasting alkaline type has overtaken zinc carbon in terms of the value of sales. As a result, the UK market for primary batteries grew by 12 per cent last year by value, although it was static by volume. Ever Ready (part of the Hanson group) takes about half the UK market for primary batteries.

In the business market, almost all hand-held cellular telephones and the more expensive lap-top computers use rechargeable nickel cadmium cells. Although cheaper to use in the long run than primary batteries, they run for a shorter time before they need recharging.

Batteries for most cellular telephones last for up to 10 hours, but calls can be made and received for only about two hours during that period. Toshiba, the Japanese electronics company, claims that its lap-top computers can be used continuously for up to 10 hours, while portables from Compaq, of the US, run for four hours before the batteries need recharging.

Gary Stimac, vice president of systems engineering for Compaq, says: "Our indications are that that is adequate. Most people want to use our products when they're flying from one coast to the other. In four hours they could be back in the office or in a hotel room where the battery can be recharged."

The cheaper portable computers, such as Amstrad's PPC and Cambridge Computer's Z88, have both been designed to use primary batteries. The Cambridge machine can run for up to 20 hours on one set.

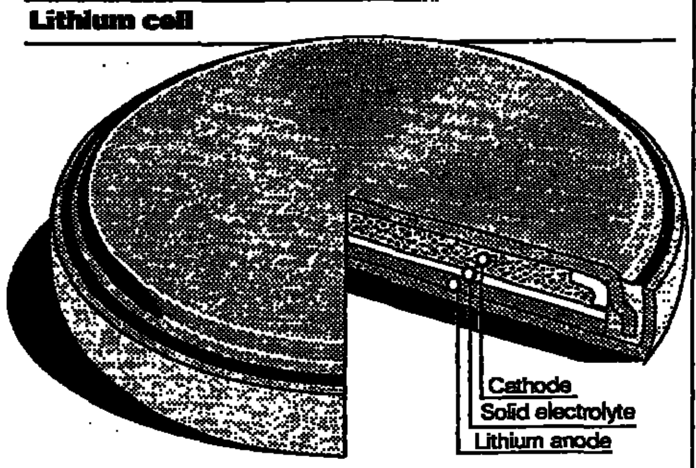
The spread of portable equipment has made the battery problem more acute. There are now nearly 300,000 portable computers in Europe, and that figure is set to exceed 1m in just over two years' time, according to the Paris-based research organisation, Intelligent Electronics/Dataquest. In Britain alone, battery-powered mobile telephones number nearly 200,000 – a figure which is growing by 5,000 a month.

The problem has been exacerbated in the US and Europe because battery and equipment manufacturers are independent companies and, therefore, do not collaborate on future developments. In Japan, by contrast, most of the big battery manufacturers, with the exception of Yuasa, also make electronic equipment. They include Sanyo, Matsushita, Hitachi and Casio. Co-operation between divisions of those companies has resulted in products – such as watches and calculators – with integral lithium batteries.

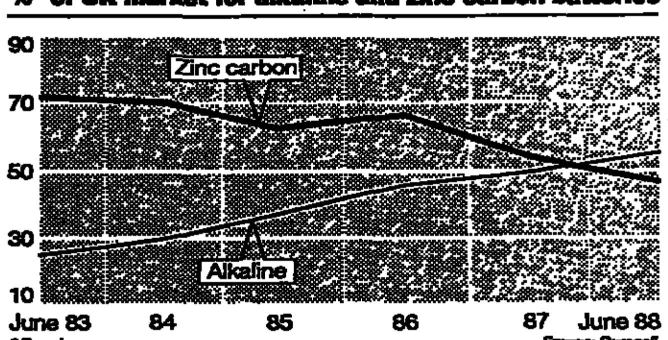
Lithium's advantages are that it is the lightest metal, can work in sub-zero temperatures and is highly efficient – lithium batteries last up to five times as long as traditional ones. However, they can cost up to 10 times as much to make and, as lithium is highly reactive, can be dangerous.

"The industry has to be very careful because the general public does not always respect the safety information that comes with batteries," says David-Eyre, technical director of Crompton Vidor and chairman of the British Standards Institution technical committee on primary batteries.

"You can't mix and match different types of battery in one piece of equipment. For example, if you were to put a lithium battery with a traditional one, it could result in safety problems and damage to the equipment," he says.



%* of UK market for alkaline and zinc carbon batteries



*By value. Source: Duracell

To compound the problem, most lithium cells generate 3 volts, double the power of traditional batteries, and consequently the two types are not interchangeable. (Union Carbide has developed a 1.5 volt lithium battery, but it is not generally available yet.)

One likely result of that difference is that an international standard will be developed for manufacturing lithium batteries to the same size as the traditional batteries, but with different contacts for connecting the battery to the equipment. Each piece of equipment would be designed to incorporate either a lithium or a traditional battery.

The inherent strengths of lithium mean that most manufacturers are pinning their hopes on it – in particular, on rechargeable lithium cells – for the next generation of general purpose batteries. But it could be another decade before those developments are harnessed for consumer products, despite the fact that two companies have already made the initial breakthrough with the technology. Matsushita in Japan and the Canadian firm Moli Energy both have basic rechargeable lithium cells for specific applications.

Until the lightweight, high-powered lithium batteries become available, business equipment manufacturers are turning their attention to ways of making their equipment consume less power. Stimac believes that equipment makers can increase running time by a factor of two or three through the way the equipment is engineered.

Both Compaq and Toshiba have designed the software in their latest portable computers so that elements, such as a modem or hard disk, only consume power when they are being used. (The motors in Winchester disks, for example, are notorious for gobbling up electricity.)

The UK manufacturer Psion uses a similar technique to maximise battery life in its hand-held computers. It claims its products can run for up to six months on one battery.

Whatever the technological developments, battery manufacturers seem assured of a lucrative market for some time to come. This year the British will spend about £260m on primary batteries, more than on baked beans or even toothpaste.

Taking the heat out of firing

CERAMICS, used for anything from dinner plates to integrated circuits, may soon be manufactured more quickly and with much less heat energy using recently developed materials called pre-ceramic polymers.

Normally, ceramics are moulded using a water-based dough and then have to be fired in kilns for several hours at temperatures of about 1,700 deg C.

The polymers, however, need less than an hour at temperatures in the 450 to 800 deg C region. Chemically they are known as polysilazane precursors.

Early work has been on coatings of silicon nitride and tungsten carbide. The materials can be sprayed, moulded, extruded or spun at room temperature.

Technical Insights, the New Jersey market research group, thinks ceramic precursors are one of the most important advances in materials and could create an entirely new segment of the chemical industry. The company has produced a $985 report, called Ceramics from Organometallics, which analyses the research and development in progress and the partnerships and licensing opportunities this has produced.

In particular the report describes in some detail the successful work at SRI International and Ethyl Corporation in the US.

Technical Insights believes that the materials will be on the market within two years. It foresees them being used for engine parts, cutting tools, aircraft parts and electronic components.

Digital links go the distance

IN THE summer, British Telecom International (BTI) will introduce digital services with the US and Japan. This will enable information to travel desk to desk much more quickly than is currently possible over the telephone network.

The digital connections will mean that data can be transmitted at 64 kilobits per second (kb/s). For example, it will be possible to send a facsimile of an A4 page in about six seconds instead of half a minute. Reproduction quality will be as good as that achieved on modern photocopiers.

Personal computer data files can be sent at the speed and quality achieved between adjacent offices; and video conferences in colour, using compact picture telephones, will be feasible.

The international connections will make these services available on a dial-up basis, like the present telephone services. They will provide the necessary channels for ISDN (integrated services digital network) services, which enable users to access two 64 kb/s services at the same time. For example, one might carry computer data and the other a high quality audio phone call.

ISDN will be marketed by BT as integrated digital access (IDA). Like the present telephone service, charges will be based on call duration and there will be a rental charge for connection to the national digital network.

In order to make IDA widely available, BT is replacing analogue telephone exchanges with digital exchanges at the rate of two every day.

Oil to weather marine conditions

CASTROL, the UK oil company, has developed a marine engine oil for the super-long stroke, slow speed engines that now provide 75 per cent of the horse power driving the world's ships.

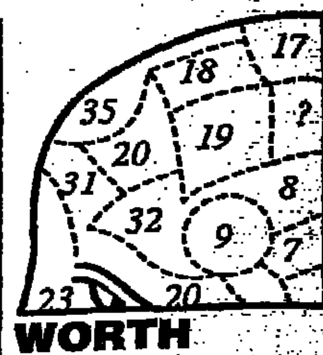
The product, called Castrol Marine Cyltech 80, meets the need for a specialised lubricant, which can operate efficiently under the severe conditions imposed by crosshead engines and the high sulphur content of marine fuels.

The period between overhauls can be increased by 30 to 50 per cent using the new oil, says Castrol, and the wear rates in cylinder liners and piston rings can be cut by 30 per cent.

High temperatures and pressures in the cylinders of these engines are the main problems. The former build up acids and the latter tend to diminish the lubrication properties of oils.

Castrol says that it has screened many hundreds of additives and has been able to use neutralising agents based on the calcium sulphonate and phenate families.

There is also an unstated anti-wear component.



WORTH WATCHING

Edited by Geoffrey Charlish

A dish for all channels

MICRO-X, of Neasden in the UK, is launching a satellite television receiving dish and electronics unit, which will be able to receive any channel on any direct broadcast satellite (DBS) at a fully installed cost of £584.

The company is importing the electronic units from Maspro, part of Japan's C. Itoh group. The 650 mm (25 in) steel dish, however, will be made by a Micro-X associate in the UK.

Most dish systems for the UK's new satellite television services can receive either Astra or BSB (British Satellite Broadcasting), but not both.

Micro-X has taken a different approach. The user can start with a £299 system that will receive Astra, but which has the ability to deal with other signals of different polarisation. (Polarisation of radio signals is usually either horizontal or vertical and can be identified by a multi-element aerial. The signals are vertical for UK terrestrial television and horizontal for FM radio.)

A remotely controlled dish-steering system can be added. In the living room, the user simply presses a channel button on an infrared control box. The satellite receiving box on top of the television then signals the dish to rotate towards the appropriate satellite and selects the channel.

Julian Behrman, managing director of Micro-X, thinks thatthe UK will become more like the US, where there are 150 channels broadcasting from 30 satellites.

CONTACTS: Technical Insights: US, (201) 568 4744. British Telecom: London, 726 4444. Castrol: UK, 0793 512712. Micro-X: London, 459 1200.

Eric Clapton

ALBERT HALL

It is totally appropriate that Eric Clapton should currently be appearing at the Albert Hall. Its cathedralesque atmosphere is ideal for performances which are closer to traditional forms of worship than to a rock concert. Clapton is the revered High Priest, quietly and methodically going through the established ritual while the believers sit in solemn reverence. And, as in most churches, the congregation is ageing rapidly.

The "Clapton is God" slogans scrawled around the London of the 1960s are part of pop history and it is the past which shrouds every performance by the guitar maestro. His material is manifestly, indeed proudly, old fashioned: for two hours he churns out the familiar favourites, steadfastly ignoring the chance to plug a latest album. And, as the well loved guitar riffs are plucked off, you realise that you are getting old. Instead of responding to the most exciting, anarchic, revolutionary music known to man you are awash with the reassuring but confining sound of Radio Two. The world has spun on.

There were a few brave souls who set up a gentle boogie in the aisles but they were more activated by the music of Phil Collins, who had good naturedly helped out his old mucker by taking on the drums, and who was given his own song, "Easy Lover", as a show piece. It was a typical gesture by Clapton, the most laid back, nay, physically invisible, player, of the most flamboyant of instruments, that he should enjoy including such a strong personality in his four piece band. At least they share a common passion for dressing like warehousemen.

There were no surprises, just beautifully crafted memories, meticulously reproduced, from "I shot the sheriff" through "Knocking on Heaven's door" to "Cocaine."

No one wanted more, and the total concentration that gripped the packed auditorium as Clapton eased into "Wonderful Tonight," the most poignantly beautiful married love song of our age, was awesome. He sang it with great emotion and all those desperate to join in drifted into silence, leaving Clapton to enjoy the experience alone.

It was music stripped to bare, almost insubstantial, essentials. Sometimes the illusion that this was just four guys playing rhythm and blues in a small club was taken too far, and the terminally long "Same old blues" could be quietly laid to rest. Clapton is not for today's youth but any mortgagee wondering whether they can still jog along in time will enjoy themselves immensely.

All in all, it has been a nostalgic week. The ICA did well with a "Hands Across the Ocean" series, with all the acts supplied by WEA Records, but to good purpose. The pick was Steve Forbert, returning after a long absence, and showing there is still life in the Jackson Browne school of American musicians, mordantly observing life from the end of a friendly guitar.

Antony Thorncroft

The Fatherland

RIVERSIDE STUDIOS, HAMMERSMITH

The sprawling naturalistic set, a cross-section of contrasting bungalow kitchens with open yards between, confirms that though we are at Hammersmith's Riverside Studios, the production originates from that fringe outpost of remarkable theatre design, the Bush. Michael Taylor's Soweto interiors contrast fat old Auntie's shebeen with the neat home of the Mabhena family, proudly revolving round the eldest son, ace footballer Reuben. As twilight falls the broad expanse of the stage back wall twinkles with the distant pin-pricks of the city lights, magically evoked by Rick Fisher.

The Bush's new co-director, Brian Stirner, has produced a work commissioned by his predecessors, the previous régime having made an enviable name for discovering new writing. Murray Watts's immensely promising study of black family tensions continues the tradition. The Merseyside-born son of parents with South African connections, the author has worked in Soweto and displays an insider's confidence in elision, ellipsis and economy.

For Mr Watts knows when not to overdo it. The atmosphere of an occupied territory is suggested almost casually, the police sergeant's interrogation over pass books and references to Section 10 taken for granted as part of normal life. The play's canvas is broader than first appears; there are fleeting resemblances between Mr Watts' township – swaggering rascals, petty criminals, drinkers, fugitive patriots, strong women and weak men - and O'Casey's Dublin tenement dwellers.

There are hiccups in construction. Act 1 reaches a powerful climax with the kidnap and threatened murder of a policeman, Reuben unwillingly involved in the violence by his outlaw ANC brother. In Act 2 we learn that, thanks to Reuben, the man was released and "he'll never bother us again." This presumably provides the tenuous justification for the otherwise theatrically arbitrary beating and blinding of a third brother, lovable scamp Lefty. The central theme, the illness, promised release and final death in confinement of the boys' father, a political prisoner, seems only intermittently important; and a subplot with the pregnant country girl who naïvely follows Lefty from the Transkei is not really developed.

But in the feeling that emerges of a real community and a real family, a conventionally detailed plot is almost irrelevant. It's enough to observe the variations, under what we know to be a repressive system, of individual behaviour, from cheerful acceptance (Jude Akuwudike's irrepressible scapegrace Lefty) through opportunist acquiescence (Geff Francis' sports star, reluctant to rock the boat) and dignified stoicism (Cleo Dercon, herself Soweto-born, as the unwaveringly religious mother) to armed resistance (Adé Sapara, a trifle one-note and not giving the fugitive's ironic humour a chance). Atmosphere and characterisation promise much for the playwright's future.

Martin Hoyle

Dali in 1955

Salvador Dali

The Spanish surrealist painter Salvador Dali, who died yesterday at the age of 85, was one of that select band of artists that has enjoyed truly world-wide celebrity.

Such fame must necessarily far out-run any general knowledge of the work; and Dali the brilliant and extravagant self-publicist, inveterate surrealist performer, never shirked an opportunity to make himself the centre of attention. It is Dali the eccentric, the "personality" rather than Dali the artist who is now remembered.

And in a sense this is just, for hard working as he was, and seriously committed to the belief in his own genius, his work nevertheless was flawed, limited in its scope. Yet to be fair, the work did come first; while other, greater artists came to Surrealism, used, exploited, developed it and moved on (Picasso, Miro, Ernst) it fell to Dali to stand for it in the public mind.

There was something in the nature of his highly wrought Surrealist imagery that caught and held the public imagination — the soft watches of the Persistence of Memory, the blazing giraffes, the ants, the elephant, swans, the leaping tigers, images of grotesque dismemberment and decay.

In a violent, but nonetheless prudish age, not the least of his achievements was to fix the iconography of Freudian sexual nightmare in the common mind and to make it not only memorable, but oddly respectable. For Dali, though he set out quite consciously to shock and disturb, was always the most accessible of the avant garde, and by the end of the 1930s his work was even gracing the cover of Vogue.

He was a psychological illustrator, and his work would always look well in reproduction, which gave the work the appearance of accomplishment and technical command that were not always to be found on the canvas itself.

The irony is that so disconcerting was his imagery that his wider popularity needed the cooler justification of fine draughtsmanship. Dali was not a great artist, but he was greatly talented, and had the luck to ride the wave of a particular movement at a particular time.

He has his place secure enough in the history of the art of our time, but, exponent as he was rather than innovator, it must always be set within the wider history of the Surrealist movement itself.

William Packer

Shostakovich

FESTIVAL HALL

The Shostakovich festival is drawing to a close. On Sunday night the symphony cycle reached the Second and Thirteenth Symphonies – a pair of choral works which span the central period of the composer's career, from the reactionary days of his youth, past the Stalin era, to a time when the mature composer felt assured enough to rattle the bars of the Soviet cage again in the face of the Kruschev regime.

They both catch Shostakovich in the mood to speak openly. But where the Second fritters away that prized freedom on a minor work with little to commend it except its determination to sound experimental, the Thirteenth uses a more conventional musical language to get to grips with political and social wrongs in a way that is genuinely inflammatory. This epic, to marvellous poems by Yevtushenko, is arguably *the* great Shostakovich symphony.

In a cycle which has been conducted jointly by Rostropovich and Ashkenazy there was no need to worry that its performance might lack conviction, whichever of them chose it. But on balance I feel it was preferable that this symphony should have fallen to Ashkenazy. His performances have been no less expressive than his counterpart's and they have shown a finer sense of overall control in the most massive of Shostakovich's monolithic structures.

The Thirteenth went well, if not exceptionally so. As so often in this cycle one felt a lack of that chill, of that shiver at the inhumanity of Soviet existence, that should run through the symphonies. But it would be churlish to complain when there was so much else to admire, such as Ashkenazy's gift of letting the strings sing out, so mournful in the third movement. (How evocative its picture of women standing freezing in queues still seems today.)

In that movement, too, John Shirley-Quirk was at his finest, catching the pathos of the music with almost unbearable tenderness. The only weak link in the performance as a whole, bar some untidiness in the ensemble, was the Brighton Festival Chorus, whose neat and sadly underpowered singing fell some way short of what was required. Perhaps there is no British chorus who could match those marvellous, booming Russian basses.

In between came Shostakovich at his most self-consciously minor and flippant: the First Piano Concerto. Raymond Simmons played the important trumpet solo and the pianist was Dmitry Alexeyev, always rhythmically lively and rising at the end to something like the manic excitability exhibited by the composer on his own recording. Ashkenazy again gave energetic support, but the RPO's playing dropped temporarily below par.

Richard Fairman

Figures of the imagination

William Packer reviews exhibitions in Bath and Bristol

We hear a great deal lately of a renewed commitment in British art to an imagery founded in study of the figure and the attendant disciplines of technical probity, close observation and critical record. Any such renewal lies more in the minds and interests of certain commentators than in the actual work, for it was never the case that figurative preoccupations were lacking in British art.

A Private Mythology, selected by Mary-Rose Beaumont for the Aberystwyth Arts Centre and now arrived at the Victoria Art Gallery, Bath (until February 25), does its bit to unravel the threads of a complex reality. Subtitled "the naked figure in contemporary art," it gives us the work of 14 artists of fairly recent reputation who have variously addressed themselves to one of the great subjects of art.

Small as it is, the show offers some intriguing contrasts. Stephen Cox's tiny fragments show a western artist drawn to the tradition of classical Indian sculpture, where Dhruva Mistry shows himself, by his twin tondos, positive and negative, to be an Indian steeped in that tradition yet liberated by western opportunity.

For all the expressive force of their images of the male nude, Nicola Hicks and Peter Howson remain close to the model as it is, where Amanda Faulkner and Eileen Cooper, in large canvases of considerable graphic authority, describe gods, beasts and heroes that are quite their own. Other artists worth noting are John Kirby, Glenys Barton with her quiet circle of kneeling, ceramic women, and Ansel Krut.

But beyond the individual lies a more general point. Renewal or not, we can see here that much of the most imaginatively potent of the figurative work of our younger artists is hardly disciplined in that older sense at all. Far from being born of any deep knowledge of the figure, won day after day in the life-room, the work of these artists is marked by a free, often indulgently free, expressionism. Just such a character may be the last resort of the ambitiously incompetent, but not always.

When the resources of the visible world are wilfully set aside, the artist has only his own imagination by which to sustain invention. The easy option may not be so easy after all, and if the attempt is free to anyone, the true resolution and final account can only be settled after working the hardest passage. Here such artists as Amanda Faulkner, Tricia Gillman, Ansel Krut, Eileen Cooper and the rest, show that for all the difficulty, the attempt, drawn entirely from within is not hopeless.

In the middle of the exhibition but not of it are 6 studies of the nude from the Arts Council Collection, by such distinguished artists as Euan Uglow, Harold Gilman and Victor Willing. They are fine in themselves but dilute unnecessarily the strong issues raised by *A Private Mythology*.

*

At Artsite nearby (1 Pierrepont Place: until February 12) John Macfarlane is showing drawings, water-colours and dry-point engravings. It is always good to come back to the work of an artist one has admired before and find it no less recognisable but better than ever. I have not seen Macfarlane's work for some 10 years; he has ignored London and shown either in Wales or abroad.

He too, at 40, is comparatively young, but he studied in Scotland where the traditions of objective and technical study continued long after they were abandoned in Englishschools. His work stands in the great European tradition of draughtsmanship in the objective study of nature that runs through the likes of Ruskin and Stubbs to Durer and Leonardo. Turner too is a great model; it is perhaps from him that he instinctively derives a decided Romanticism.

He makes drawings of snails that seem as rich and lush as jewels laid out on velvet. He spreads out like a fan the dead raven's wing to become in microcosm something curiously close to the mountain or quarry-side that he studies so intently from the far side of the valley. Of recent art the nearest comparison is with war-time Welsh mountainscapes of John Piper, the very image of neo-Romanticism. But Macfarlane is entirely his own man, and a remarkable artist.

*

In contemporary terms, art of a more orthodox romanticism can be seen at the Arnolfini in Bristol (Narrow Quay: until March 5, then to Dean Clough, Halifax). At 41, Giuseppe Penone is already a sculptor of wide international reputation, and indeed is included in the major survey now at the Royal Academy of Italian Art in the 20th century. But this in Bristol is his first significant solo show in Britain, and it coincides with the publication in English of the first monograph (by Germano Celant: Electa).

Penone takes nature and the physical world as material source and conceptual stimulus. He engages himself directly yet stands apart to reproduce as art a natural process, or to return what has been processed by man to an ambiguous state of nature. Each of the clods of clay, hacked out of the earth by a variety of implements, carries the marks of its removal. Here are these fired lumps, hung in an elegant row. A pile of leaves holds the impression of a resting human form. Another such heap, but cast in bronze, is held in mid-air on wooden poles. Carved back into the wooden plank is the image of the living tree. Elegant undoubtedly, but the idea is everything.

"The Bodybuilder" by Peter Howson, 1986: the original drawing for the screen print in the exhibition

London Philharmonic

FESTIVAL HALL

On Sunday the LPO had Russian guests, the conductor Semyon Bychkov and the cellist Natalia Gutman, to perform markedly national, non-Russian music – Charles Ives' Third Symphony, Dvořák's Symphony "From the New World" and the Elgar Cello Concerto. Highly professional performances all, neither too Russified nor too cosmopolitan in manner: the choice of Bychkov as Barenboim's successor with the Orchestre de Paris seems very reasonable.

The Ives work, a homely little "symphony" he put together from earlier organ pieces, was expounded with faithful affection. It is not a ground-breaking extravaganza like his Fourth Symphony, but its material – hymn-tunes, mostly – is worked up with any number of small, quirky touches in counterpoint and harmony (as well as an evident respect for early Richard Strauss). Bychkov kept the textures clear, and forced nothing; if there was any telltale forcedness, it was only in the consciously cultivated, vibrato-laden LPO strings. Ives would have judged them "nice" – a term of derisive abuse in his vocabulary – where a plain, cheerful address is all that's required, and indeed helps to reveal the real originality of the music.

The Elgar concerto never sounded intemperately un-English, though Miss Gutman's big style and passionate introspection are not what native performances commonly offer. She bit into the recitatives with broad eloquence, and in her daringly swift Scherzo there was no flaw in her technical security or her aplomb. Some Elgarians may prefer a more crepuscular Adagio, but it expanded here with full-blooded feeling.

Bychkov was always a quickly responsive partner, and the orchestra of course know the work thoroughly; so they do the Dvořák Ninth, too, which they delivered expertly. Bychkov's reading was notable more for crispness and delicate colours (along with some fierce fortissimo) than for friendly Bohemian warmth. At three or four of the jerry-built transitions in the symphony – the "New World" is arguably more of an appealing potpourri than a real symphonic exercise – he sounded momentarily irresolute. Anybody might well be, but one shouldn't let it show.

David Murray

Tan & friends

WIGMORE HALL

Melvyn Tan presided at the keyboard in Friday's delectable recital of early-Romantic chamber music, with the American clarinettist Eric Hoeprich and the French horn-player Michel Garcin-Marrou in attendance. At two keyboards, actually: for the duet pieces he used a Streicher fortepiano, for the two groups of Mendelssohn piano music a late-1830s Broadwood baby-grand piano (on which Mendelssohn himself played on one of his visits to this country).

The contrast between the two instruments lent the occasion some of its charm – the fortepiano set the "domestic" scale perfectly appropriate to the works chosen, whereas the wider dynamic range and fascinating tone-colours of the Broadwood conferred on Mendelssohn (the Andante and Rondo capriccioso, Op.14, followed later by two of the Songs without Words) a very personal quality of palpitating Romanticism.

Mr Tan underlined this with great delicacy. He has become not just an expert on these "period" keyboards but a distinctive stylist of the music written for them: the use of rubato, control of tone-colour, rhythmic variety, and command of scale were throughout the concert a pleasure, and the sympathy with the action and sensibility of the two wind instruments was impeccable.

The performance of Weber's Seven Variations on a Theme from *Silvana*, Op. 33, was perhaps the evening's choicest item: Mr Hoeprich's clarinet speaks the language of Weber's virtuosity with native eloquence, and a fortepiano can catch all the glitter and buoyancy of the piano writing – players of modern pianos often (although by no means always) reduce Weber's figuration to a humdrum level of mechanical expertise.

Mr Garcin-Marrou played horn sonatas in F by Beethoven (Op.17) and Beethoven's quondam assistant and copyist Ferdinand Ries (a dullish piece with moments of slow-movement suavity). One felt less "presence" and personality here: the difficulties of the "period" horn had been finely mastered (and they are sufficient, heaven knows), but there didn't seem much inventiveness left over for making the solo line sparkle.

Max Loppert

The Highlanders

PALACE OF HOLYROODHOUSE, EDINBURGH

"The finest race in the world," was Queen Victoria's verdict on the Highlanders. In 1865 the Queen commissioned the Scottish miniature painter Kenneth MacLeay to paint some of her retainers on the Balmoral estate (John Brown included). Two years later MacLeay began a series of 23 watercolours of representatives of the principal Highland clans.

"The Highlanders of Scotland" aimed to provide an accurate representation of clan and family tartans in response to the bastard plaids created during the tartan mania inspired by George IV's visit to Edinburgh in 1822. The Sovereign desired the clansmen to take pride in their traditional dress, and MacLeay's vividly coloured drawings are accurate down to the last cap-badge.

Normally housed in the Royal Library at Windsor Castle, the watercolours are now on show for the first time since 1870, at the Palace of Holyroodhouse, Edinburgh, until April 16. The exhibition will transfer to Balmoral Castle, Aberdeenshire, May 1-July 31.

Susan Moore

ARTS GUIDE

January 20-26

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new and skilful English-language version of Die Fledermaus by John Mortimer is introduced to the house in John Cox's (also new) staging, with a first-rate cast (including Carol Vaness, Thomas Allen, Dennis O'Neill, Lillian Watson and Griff Rhys Jones) but a less than sparkling conductor in Adam Fischer. Further performances of Nuria Espert's Madama Butterfly production, new this season. Yoko Watanabe, Mario Malagnini, Thomas Allen, and Anne Masson take over the leading roles, and Mark Ermler conducts.
English National Opera, Coliseum. The first British performances of Aribert Reimann's Shakespeare adaptation, Lear, a 1970s opera already seen throughout the rest of Europe and in the US. Monte Jaffe takes the title role, the cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas and Rodney Macann, and the conductor is Paul Daniel. The production is borrowed from Krefeld. The 1977 production of La Bohème is revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Michaels-Moore and Nancy Gustafson. Further performances of The Mikado in Jonathan Miller's sparkling updating.

Paris

Chatelet. Ballet Antonio Gades to Manuel de Falla's music dance El Amor Brujo (40.28.28.28). **Palais des Sports.** Spain's national ballet brings colour and afiery temperament with its 70 dancers and 250 costumes under the artistic direction of Jose Antonio (bookings 48.28.40.90, info 48.28.40.48).
Opéra Comique. Jean Baptiste Lully's Atys. The Grand Siècle in all its splendour, received the Grand Prix de la Critiquein 1987. Salle Favart (bookings 47.42.53.71, info 47.42.57.50).

Vienna

Staatsoper. In repertory: La Bohème conducted by Elio Boncompagni and sung by Gabriela Benackova Cap, Eugenia Moldoveanu, Francisco Aralza and Manfred Hemm. Chowanschtschina (premiere) conducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna Borowska, Wladimir Atlanto. Cavalleria Rusticana conducted by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra. Pagliacci sung by Patgricia Wisl, Nicolai Ghiaurov, Matteo Manuguerra.
Ballet. Dream Dances, conducted by Ulf Schirmer and Les Noces, conducted by Ernst Maerzendorfer. (Tel 51444. ext. 2660).
Volksoper. In repertory: Mignon; My Fair Lady; Der Opernball; Don Giovanni, Die lustige Witwe, Die Zirkusprinzessin. Ballet: Arthur Schnitzler und sein Reigen (51444, ext. 2662).

Berlin

Opera. Der Fliegende Holländer stars Simon Estes, brilliant in the title role. Das Mädchen aus dem goldenen Westen is revived with a star cast led by Mara Zampieri, Placido Domingo, Uwe Peper and Peter Gougaloff. The fine new GötzFriedrich production of La Bohème is sung by Catherine Malfitano (Mimi), Antonio Ordonez (Rodolfo) and GwendolynBradley (Musetta).

Frankfurt

Opera. Rigoletto is well performed by Anne Dawson (Gilda), John Rawnsley (Rigoletto), Vinson Cole (Duca), Margit Neubauer (Maddalena) and conducted by Gary Bertini. William Forsythe's musical Isabelle's Dance returns. Rolf Liebermann's Opera der Wald is newly produced by Adolf Dresen.

Amsterdam

The Netherlands Opera. Production of Ariadne auf Naxos by Richard Strauss, directed by Graham Vick. Stephen Barlow conducting the Netherlands Philharmonic, with Rita Cullis as Ariadne, Jeanne Piland as the Composer and David Griffith as Bacchus (Tue).(255 455)

Rome

Teatro Dell'Opera. A revival of the 1964 Visconti version of Mozart's Le Nozze di Figaro by Alberto Fassini, conducted by Donato Renzetti (Tues, Thur). The cast includes Elisabeth Norberg Schulz, Adelina Scarabelli, Clarry Bartha, Claudio Desderi and Mario Bolognesi (46.17.55).

Milan

Teatro Alla Scala. Luca Ronconi's complex production of Weber's Oberon, with 43 scene changes and recitative in five languages, conducted by Seiji Ozawa. The cast includes Elizabeth Connell, Philip Langridge and Micheal Pabst, with the Warsaw Philharmonic Choir (Thur) (80.91.26).

New York

Metropolitan Opera House, Lincoln Center. Julius Rudel conducts Die Fledermaus with Barbara Daniels as Rosalinde, Helga Dernesch as Prince Orlofsky and Allan Glassman as Alfred. Bluebeard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama Ewartung where Jessye Norman sings the Woman. James Levine conducts both. Aprile Millo sings Aida, with Vladimir Popov as Ramades and Alain Fondary as Amonasro, conducted by Christian Badea (362 6000).
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Tokyo

Yuzuru (Night Crane). Opera by the contemporary Japanese composer, Ikuta Dan, which was premiered in 1952 and has now been performed 500 times. This new production is conducted by the composer. Shinjuku Bunka Centre (Wed, Thur) (572 4311).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Tuesday January 24 1989

The future of Hong Kong

TIME IS running out for the British and Hong Kong Governments to demonstrate that they have either the inclination or determination to fight to safeguard the interests of Hong Kong's 5.5m inhabitants before the colony is returned to Chinese sovereignty.

The British approach – that quiet diplomacy is the only way forward – has produced few fruits so far. Admittedly, once the reversion of Hong Kong to China in 1997 had been agreed, Britain was always going to be negotiating the modalities from a weak position. It is not surprising, given this tactical reality and the effective and eloquent lobbying campaign conducted by concerned residents of Hong Kong, that the British Parliament's Foreign Affairs Committee should start, however belatedly, an urgent inquiry into the Government's handling of the matter. Its intervention may even be welcome, if it throws some public light on negotiations that have been conducted behind closed doors.

Basic Law

The critical issue is the Basic Law covering the colony's administration for 50 years from the hand-over in 1997. This will be promulgated as soon as early 1990. The first draft, published last year and described in Hong Kong as a tree full of rotten apples, did depart significantly in both content and spirit from the principles of the 1984 Sino-British Joint Declaration agreeing the transfer of sovereignty. The British and Hong Kong Governments insisted, however, that they could get it improved. The drafting committee finished its proposals for the second draft in Guangdong last week. After it is published next month, there will then be only one last chance for consultation and amendment before the final version is published next year.

The more worrying departures from the Joint Declaration in the first draft concerned the independence of the judiciary, the degree of autonomy of the Hong Kong Special Administrative Region and the method of selecting the chief executive. These concerns remain. Informed leaks from Guangdong of the proposed second draft would, for example, allow the Chinese National People's Congress to be the interpreter of Hong Kong's laws and would deny Hong Kong full autonomy in the management of the economy.

In some instances there seems to have been an even greater move away from the spirit of the 1984 Joint Declaration. Direct elections for Hong Kong's chief executive and Legislative Council could now be postponed until at least 2012. Even then, the introduction of full direct elections would be subject to a referendum and, in a further watering down of democratic intent, the Peking supporters dominant on the drafting committee have pushed through a clause stating that a referendum would only be held if China and the Legislative Council of the time agreed.

Diplomatic effort

The onus on the British and Hong Kong Governments now is to demonstrate that quiet diplomacy really is being exerted to protect the interests of the people of Hong Kong. It might help to remind China publicly that Hong Kong is an asset, not a liability, that it possesses a well of skills and entrepreneurial vigour which will quickly dry up under heavy-handed political and economic controls. The Chinese seem to be forgetting the understandings which lay behind the 1984 Joint Declaration, particularly with regard to the evolution of democratic processes.

There is also still something that Britain itself can do for the people of Hong Kong, which is to open its doors to more of them. As it stands, only the privileged few will be allowed residence in Britain. Portugal, on the other hand, has granted passports to the ethnic Chinese in Macau, which returns to Chinese sovereignty in 1999. Thus Macanese will, under European Community law, be able to live and work in Britain while "British" subjects from Hong Kong will not. Lord Glenarthur's comment that this might seem unfair but that "many things in this world are unfair" encapsulates much that has been wrong in the style and content of Britain's handling of the colony since 1984. It is not quite too late to change.

The Fraser appeal

FEW WOULD DENY the entertainment value of the long-running legal battle over the acquisition of House of Fraser by the Al Fayed brothers. The more pressing question is whether this courtroom drama is really in the interests of anyone other than Lonrho's Mr Tiny Rowland, who remains passionately committed to winning control of the stores group, the finest asset of which is Harrods.

The answer, according to the Appeal Court, is that the issues involved far transcend the special concerns of Mr Rowland. In giving the court's reasons for overturning an earlier High Court ruling that Lord Young, the Trade Secretary, should refer the acquisition to the Monopolies Commission and publish his inspectors' report on the acquisition, Lord Dillon implied that there was a clear public interest at stake in the Fraser affair.

Given what has emerged about the original acquisition since 1985 that view is welcome. There is evidence that the Al Fayed brothers provided misleading information about their background and about *their sources of finance at the* time of the bid. That said, the role of the courts in the House of Fraser case is not to pass judgment on the general merits of the Trade Secretary's way of handling the affair, but rather on the legality of his actions.

Two main areas

In pursuing their judicial review of Lord Young's actions the courts have been preoccupied with two main areas. The first concerns his decision not to publish his inspectors' report on the original acquisition. Lord Young's reason for failing to publish was that he had been advised by the Department of Public Prosecutions (DPP) and the Serious Fraud Office (SFO) that publication would prejudice their investigations and prejudice a *fair trial if criminal proceedings* were brought.

Here the Appeal Court differed from the earlier High Court ruling and found that the Trade Secretary was within his rights. Yet Lord Young has not emerged unscathed. For while the High Court's ruling may have been overturned, its comments on his decision to rely on the SFO and DPP were damaging.

Whatever the legal niceties involved, one of Britain's most distinguished judges poured scorn on the notion that publication might be prejudicial. And with good reason: it is hard to see the average juror being prejudiced by a Department of Trade inspectors' report. Outside the courtroom the argument looks academic anyway since Mr Rowland is busy promulgating far from disinterested tracts on the subject.

Curious penalty

On the question of whether Lord Young should have taken the opportunity to refer the bid for House of Fraser in the light of new information, the Appeal Court argued that the Secretary of State enjoyed discretion, rather than a legal obligation, *over the reference; and it* was perfectly possible that a Monopolies Commission recommendation that the Al Fayeds should divest was not the appropriate remedy for the wrongs discussed in the inspectors' report.

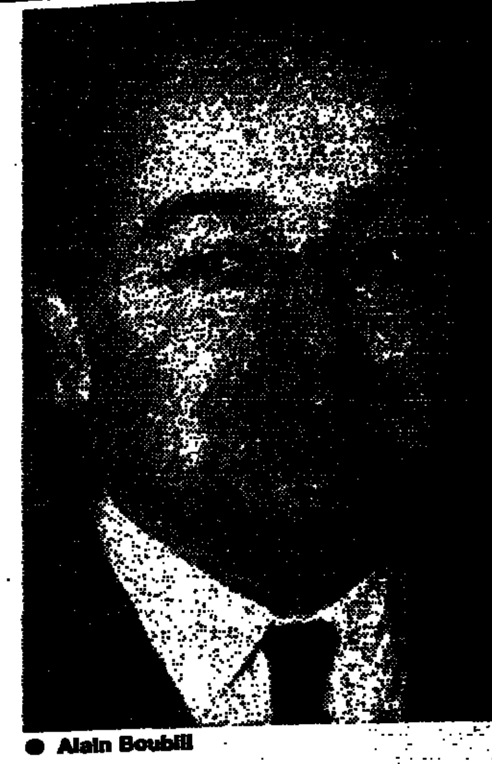
Here, at least, the legal argument coincides with a common sense view. Divestment is a curious kind of penalty since it could provide the Fayeds with a profit rather than a loss, if market conditions dictated.

Much less satisfactory is the lack of explanation for the decision not to refer. And this highlights the excessive discretion in the hands of the Secretary of State which is a major weakness in UK mergers policy. As long as the discretion exists under the Act, however, the case for having the Trade Secretary offer a public justification in the handful of cases *where a decision is made on* public interest grounds is worth exploring.

● Pierre Bérégovoy

Paul Betts and **Ian Davidson** assess the impact on France's Socialist Government of the country's insider dealing scandal

A tangled tale of politics, money and the state



● Alain Boublil

It has been an uncomfortable few days for President François Mitterrand. On Friday, one of his former industrial policy advisers resigned as *directeur de cabinet* to Mr Pierre Bérégovoy, the Finance Minister, "to defend his honour" in the growing insider trading scandal connected with the takeover by Pechiney, the nationalised aluminium group, of American National Can. On Saturday, Le Monde alleged that Mr Roger-Patrice Pelat, one of Mr Mitterrand's oldest friends, had bought substantially more shares in the Triangle group, parent of American National Can, than he had previously admitted.

These events have now given a much more political tone to the controversy over a scandal which had previously looked like a characteristic French business *affaire*. But when taken together with the previous uproar over the fiasco of the stock market raid against the Société Générale privatised bank, an operation tacitly supported by the Finance Ministry, it is clear that France is facing a *series of difficult dilemmas* over the relationship between politics, money and the state.

There has always been deep interpenetration between the worlds of politics and money in France, but until now that has taken place almost exclusively on the political right. In Mr Mitterrand's first term, the *Socialists response was a massive national*isation programme to attack what President Mitterrand had called "the wall of money." The new Socialist Government has renounced nationalisation, but it does not appear to have worked out a coherent relationship with the world of French business.

The two affairs also focus the spotlight *on the role of state institutions* and the "old boy networks," with the Socialists in the last nine months seeking to capture control of key industrial and financial groups by assembling business clans of their own to replace those loyal to the right. In rhetorical terms, the new Government believes in deregulation, *transparent markets and competition*. In practice, it appears to be finding it much harder to give up the temptation to intervene.

As a result, the affairs are now imposing a much heavier burden of responsibility on regulatory institutions which are meant to be independent of the state. In the past, France *has regularly vibrated with succulent* money scandals, which have eluded any effective regulation and usually avoided any judicial punishment. The roles and the powers of the Commission des Opérations de Bourse (COB), the stock market watchdog, are being reinforced. But the latest affairs raise the question whether the reformed COB will live up to expectations.

However, the most general issue raised is whether, in the medium term, the Socialist Government can escape the problem of privatisation. The policy laid down by Mr Mitterrand is that this left-right controversy should be shelved, with no renationalisation and no new privatisations. In principle, this appears to be a tenable line, but it seems to be proving difficult to apply in practice. A French government official need never have been involved in the Pechiney-Triangle negotiations if Pechiney were not a state-owned company. Nothing in the Treaty of Rome forbids countries *to nationalise companies, but the* current argument between Paris and Brussels over the status and capitalisation of Renault, the nationalised car group, eloquently illustrates that the single market due after 1992 and the European Community's competition rules may require state-owned companies to look and behave exactly like *private enterprises*.

The irony is that the Pechiney-American National Can deal was heralded by the Government last November as a triumphant demonstration of the way in which a state-owned company could gain in stature in the global markets without sacrificing its national industrial vocation. The *acquisition of the American company* was linked in the Government's public rhetoric with Pechiney's simultaneous decision to invest in a big new aluminium smelter in the depressed northern region of Dunkirk.

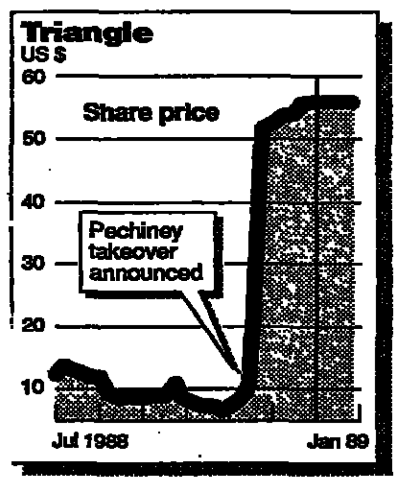
These considerations of national and industrial interest have now been largely overshadowed by the insider *trading scandal, which might* never have come to light but for the investigations conducted by the US Securities and Exchange Commission soon after the deal was announced.

The SEC inquiries showed substantial and unusual volumes of trading in Triangle shares in the New York over-the-counter market after hard *negotiations between the two compa*nies started last August. There were subsequent large sales of Triangle shares when the negotiations with Pechiney appeared to be on the rocks last September. Three days before the deal was sealed last November, there was another flurry of purchases.

The implication of insider trading is *clear. The SEC has identified a num*ber of Swiss and other discreet intermediaries in the trading, but so far there is no complete list of the ultimate beneficiaries. However, the French finance ministry was kept informed of Pechiney's negotiations since the nationalised group needed state authorisation and support for the financing of the $1bn acquisition of American National Can. The paradox of the financing is that it was conducted in part through the floating of a quarter of Pechiney's new international subsidiary, which amounted to a partial privatisation.

No one claims that Mr Alain Boublil, until last Friday the chief adviser of Mr Bérégovoy, the Finance Minister, made money out of the deal. He has vigorously denied any suggestion of improper involvement in the Pechiney affair and has claimed to be the victim of a smear campaign.

But it is known that two personal friends of Mr Mitterrand bought Triangle shares just before the acquisition was announced. Mr Roger-Patrice



Pelat had previously claimed to have bought 10,000 Triangle shares in all innocence, but last Saturday Le Monde alleged that Mr Pelat or his son had in fact bought another 40,000 shares through intermediaries in Switzerland and Luxembourg. Mr Max Théret, former chairman of the FNAC retail group and also a friend *of the President, earlier admitted buy*ing 10,000 Triangle shares but denied any hint of insider trading.

Mr Boublil has hit back at his critics and sued three French newspapers for libel. But although Mr Bérégovoy had defended his *directeur de cabinet* – the head of the minister's private office – during the past few weeks, his presence had become an increasing embarrassment for the Finance Ministry. The explanation lies partly in the details of the smears alleging Mr Boublil's association with a Lebanese intermediary in the Pechiney negotiations, but also partly in the longer history of Mr Boublil's role as *éminence grise* of Mr Mitterrand's industrial policy, first as industrial adviser at the Elysée palace and subsequently at the Finance Ministry.

Mr Boublil had made many enemies over the years both inside the Government and in the world of business because of his interventionist approach and his arrogant manner. After he joined the Finance Ministry last summer, one of his first tasks was to spearhead Mr Bérégovoy's new strategy of undermining the Gaullist hold on key privatised industrial and financial groups. When the Gaullists embarked upon the privatisation of state groups two years ago, they aimed to ensure continued control by setting up loyal groups of "hard core" shareholders. The new Socialist Government, while pledging not to renationalise, made clear from the beginning that it intended to break up these Gaullist dominated "hard cores." It planned to set up alternative shareholder groupings which would be more sympathetic to the *Socialist administration.*

The mechanism in this strategy was to be the market, and the players the big state institutions with large shareholdings in privatised companies. High on the list of these state groups were insurance companies and other institutional investors, especially the Caisse des Dépôts et Consignations, the *investment arm of the state* savings banks. This strategy of market manipulation started well with the smooth recomposition of the core shareholding structure of Havas, the privatised media and advertising group. But things started to go wrong when the Government turned its attention to Société Générale, the country's largest privatised commercial bank. A stock market raid on Société Générale was mounted, with the obvious encouragement of the Finance Ministry, by Mr Georges Pebereau, a financier with wide connections in the French politico-business establishment. But the Société management fended off the attack *with the help of a handful of blue-chip* allies, and now the Government is faced with an embarrassing deadlock.

To make matters worse, the Pechiney scandal has provoked an open dispute within the Government over the Société Générale affair. Mr Roger Fauroux, the Industry Minister and former chairman of the Saint-Gobain *glass and packaging group, has* openly criticised the COB decision not to investigate the Société Générale raid, claiming that it was a "much more serious affair" than Pechiney.

The Government has now adopted a two-pronged response to the twin controversies. In the case of Pechiney, both Mr Mitterrand and Mr Bérégovoy have called for the fullest light to be shed on the insider trading scandal. To this end, the Finance Minister is planning to table a bill in the spring session of parliament substantially to reinforce the powers of the COB. In the case of Société Générale, the Government intends to pursue its former *strategy of breaking up Gaullist "hard cores"* in privatised groups, but by different means. Another bill will be tabled in the spring to release institutional shareholders from their obligation to seek board approval before selling their stakes in privatised companies before 1992. This will leave room for new shareholders to reconstitute the "hard cores" of privatised groups, although the Government plans to retain a veto on any single stake of more than 10 per cent for the next three years.

In other words the new Socialist Government is just as determined as its Gaullist predecessor to prevent any unwelcome (either foreign or politically hostile) takeover of a major French group, at least for the next few years. Left and right may differ about means, but not about ends.

Since this weekend's developments, the right-wing opposition has stepped up its attacks on the Government. Mr Alain Juppe, secretary general of the Gaullist RPR party, said on Sunday that France "had the rottenest left in the world." Mr Alain Madelin, the former right-wing Industry Minister, has talked about "Pechiney-Gate." Even the Communists are now joining the chorus of demands from the right for a parliamentary commission of inquiry. Such demands are political sabre rattling; the COB inquiries are expected to lead to prosecutions, which would automatically put a legal gag on the affair.

No one claims that Mr Mitterrand or Mr Bérégovoy are financially corrupt, and in any case the right wing may not be best placed for making such accusations. But in the cut and thrust of politics, the latest allegations may have tainted the image of the Socialists and harmed their prospects in the forthcoming municipal elections next March. It is possible, however, that the relative position of Mr Michel Rocard, the Prime Minister, may have been strengthened, since none of the allegations have touched his office. The question is whether Mr Rocard can devise – and, when all the fuss eventually dies down, impose – a political-industrial strategy for France which would look better prepared for the new European realities of 1992.

OBSERVER

Hills guide to tax

■ Rarely can a booklet on the incidence of taxation have had such immediate and extensive coverage as John Hills's Changing Tax: How the tax system works and how to change it. It has been discussed in all the quality newspapers and is likely to be much quoted in the run-up to the Budget and beyond.

One of its conclusions, backed with figures, is that since 1979 there has been "a major redistribution from those on low incomes to the better off . . . cuts in direct taxation have been entirely paid for by cuts in the relative value of benefits."

Hills wrote the booklet at the suggestion of Fran Bennett, Director of the Child Poverty Action Group. It began as a pamphlet, but is almost a book – of the kind that could very well be used in sixth form economics courses.

Now 34, Hills did maths and economics at Cambridge in the mid-1970s. He then spent two years working for the Ministry of Finance in Botswana, followed by a Master's Degree at Birmingham under Professor Mervyn King, whose joint book with John Kay on the British tax system he helped revise.

He became a civil servant at the Department of Environment when Michael Heseltine was Secretary of State. Heseltine was conducting his MINIS efficiency exercise, thought that there were too many economists about the place and suggested that some of them should look elsewhere for work. So Hills went off and did two years advising the Select Committee on the Treasury in the House of Commons.

Afterwards he joined the Institute for Fiscal Studies, reunited with John Kay who had become the Director. Then came Africa again. Hills spent 18 months advising the Commission of Inquiry into Taxation in Zimbabwe. "Robert Mugabe had inherited a tax system from Ian Smith," he says, "and wanted an independent look at what should take its place. In terms of the acceptance of the commission's recommendations, the strike rate was about 50 per cent." Hills thinks that was pretty good.

For the last three years he has been at the London School of Economics and is Co-Director of its Welfare State Programme. One of his specialities is housing finance, on which his book is due shortly. He is also working with a team on The Development of the Welfare State since 1974, which will be a major study out next year.

Howzatt?

■ Bob Hawke, the Australian Prime Minister, has taken to opera, at least superficially. Recently he attended a performance of Tosca. The Sydney Morning Herald reported: "The singers' voices soared, the audience was in rapture, when suddenly up leapt Hawke, like an extra from an Australian lager company commercial, yelling: 'You beaut.'"

But it was not the music that had moved him. He had a transistor radio plugged to his ear and was listening to Australia playing the West Indies. Australia had taken a wicket.

Walker's move

■ Nearly every junior minister on the fringe of the Cabinet, surveying the log jam at the top, seems to have decided that Peter Walker, the Welsh Secretary, must be among the candidates ripe for departure.

The theory goes that the days are over when the Prime Minister needed to keep him in on the grounds that he might be more of a threat to her on the back benches and among young Tories in the country. It was the wish to keep him quiet that led her to make him first Agriculture, then Energy Secretary. She gave him Wales because, after the 1987 election, the party did not have a Welshman up to the job. In fact, he was the first member of the outgoing Cabinet she consulted after the results and his accepting Wales was clearly crucial to her plans.

Now, however, the view is that she can afford to dispense with him, and must dispense with someone in order to bring on the new talent.

Just one or two caveats. The Tory Party still has no very obvious alternative Secretary of State for Wales, though Michael Howard, who was at school in Wales, has been mentioned. Walker is thought in the Principality to be doing his job rather well, and we might start to hear more of him as the rumours of his imminent departure get around.

"We've swapped our donor cards for price lists."

Good judges

■ Lord Denning, former Master of the Rolls, celebrated his 90th birthday yesterday and Lord Hailsham was slightly less than unstinting in his praise of the man in an interview on BBC Radio 4. But he did go on to say that Denning had been one of the half dozen great judges this century so far. So we telephoned him to find out the rest of his list.

The former Lord Chancellor said that he had been speaking mainly about the post-war period and had not given the matter much considered thought. The first names that came to mind were Lords Reid, Wilberforce and Diplock.

There was also Lord Scrutton from an earlier period who clearly made a great impression on the young Hailsham, or Hogg as he then was. Scrutton was born in 1856 and wrote the Treatise on Law of Copyright and and Law of Charter Parties and Bills of Lading. He was a great commercial lawyer, said Hailsham, and still active when Hogg started in 1932. He died in 1934.

One of the best stories about Denning, incidentally, will always remain the time he was told that one of his judgments had been upheld in the House of Lords. "I still maintain I was right," he said.

He also used to say of his long career that he had all the Christian virtues, except resignation. In that, of course, he was wrong. Resignation is not a Christian virtue.

Sound advice

■ "What should you do when you are going to pass a cyclist?" a Berkshire driving instructor asked his middle-aged learner. Without hesitation she replied: "Give him room to fall off in."

LETTERS

Explaining broad money

From Mr Tim Congdon.

Sir, Mr Glenn Hoggarth (Letters, January 20) wonders how broad money can explain recent inflation trends, when the growth rate of broad money has been so much above the inflation rate. There are, in fact, several reasons for not expecting a precise relationship between broad money growth and the inflation rate.

The first is that extra money is needed to match more output as well as higher prices. If the trend annual rate of output growth in the UK in the mid-1980s is put at about 3½ per cent, and the growth rate of broad money had been exactly equal to that of output and inflation combined (that is, of nominal GDP), an inflation rate of about 5 per cent would have been associated with broad money growth of about 8 per cent or 9 per cent a year.

The second is that the amount of money people and companies wish to hold may increase more quickly or slowly than nominal GDP because of institutional developments in the financial system and changes in the attractiveness of money compared to other things. During most of the 1980s such considerations seem to have been increasing the desired ratio of broad money to nominal GDP by about 3 per cent or 4 per cent a year. With inflation of about 5 per cent, people and companies were therefore satisfied with their own money holdings while broad money was growing at about 11 per cent to 13 per cent a year. This was, indeed, the growth rate of M3 for roughly four years from mid-1981 to mid-1985.

But it is possible for actual money holdings to be higher than desired, with a sudden jump in the growth rate of bank deposits reflecting a surge in bank credit. The economy then has "excess liquidity". Companies, people and financial institutions find that they have more money than they expected, and they change their behaviour.

Most obviously, they spend a higher proportion of their income (that is, the savings ratio falls) and are more eager to purchase assets such as houses, shares and property. As a result, the prices of these assets are bid up, strengthening the incentive to invest. In due course the excess liquidity leads to a boom.

There is no way of telling exactly how much excess liquidity the economy can stand before the boom runs out of control. In the Barber boom of the early 1970s the ratio of broad money to GDP rose by almost 30 per cent in two years before the Government realised that there was "too much money chasing too few goods".

At any rate, by late 1986 it seemed to me (and my former colleagues in the economics team at L Messel & Co. and Shearson Lehman) that there had been a well-defined acceleration in broad money growth from that seen in the stable 1981-1985 period. The economy was about to enter a phase of excess liquidity, which would initially be accompanied by buoyant asset prices and above-trend growth, and would later be followed by rising inflation and/or deteriorating external payments. I am very grateful to Martin Wolf (January 13) for acknowledging that these forecasts were substantially correct.

The forecasts were not mechanical extrapolations from recent M3 figures. They involved considerable judgment and analysis, as well as much attention to non-monetary variables. It is nevertheless strange that we were virtually the only forecasters to believe that the rise in M3 growth from the 11 per cent to 13 per cent level of the 1981-1985 period to the more recent 15 per cent to 22 per cent range would have powerful effects on economic activity and intensify inflation pressures. Mr Wolf was quite right to point out the contrast between the wrong consensus forecasts and our (mostly) accurate forecast. There seems to be something fundamental here, as the consensus forecasters – who tend to neglect monetary variables – were even more badly wrong in the forecasts they made during and after the Barber boom.

Tim Congdon,
68 Alderney Street, SW1.

No waste

From Mr B Higgs.

Sir, Mr Baize asks for financial support to the agricultural community to be de-coupled, with social needs being met by social grants rather than by artificially high commodity prices (Letters, January 19).

Efficient farming can be carried on with full regard for the environment. Research shows that fertiliser applications can be related closely to yield. In other words, optimum nitrogen applications are fully taken-up by the crops. Farmers appreciate that to over-apply fertiliser is to waste money.

B Higgs,
The Fertiliser Manufacturers Association Ltd,
90-93 Cowcross Street, EC1

Absorbent

From Mr P.D. Stephenson

Sir, We are rearing our 11th litter of Golden Retriever puppies on a bed of newspaper. On behalf of the puppies may I say that while they do not necessarily find your paper the most absorbing by content of the quality papers, it is undoubtedly the most absorbent.

P.D. Stephenson
Sheep Street Lane
Etchingham, East Sussex

Suggesting a better deal

From Mr Andrew Jeffery.

Sir, Following your report, "Car makers offer dealers bonus for hitting targets" (January 17), it appears that the volume car manufacturers are encouraging dealers to give discounts to boost sales volumes.

I fail to understand why the manufacturers should decide to choose this route, as it only leads to greater depreciation, lower standards of after-sales care, reduced manufacturers' profits and reduced dealer margins.

If the car manufacturers insist on chasing market share and volume, would it not be better to stimulate car sales by other means?

Providing higher standards of customer care, realistic retail prices, better level of standard equipment, more effective marketing of the product benefits, enhanced product quality, improved customer contact and research, and more professional dealer activity are some examples.

Surely this would be more beneficial to the consumer, the dealer, the manufacturer and the nation.

Andrew Jeffery,
5 Castlewood Crescent,
Fulwood,
Sheffield.

Wider share ownership

From Mr S.M. Yassukovich.

Sir, The Lex column of January 18 and your leader of January 19 make important contributions to a constructive debate on the question of pre-emption rights.

However, both have missed an important point regarding the relationship between this question and the issue of wider share ownership.

Greater flexibility on pre-emption will not in itself contribute directly to wider share ownership. The point is that such flexibility would be needed to allow for reform in the new issue system which would offer an opportunity to companies to achieve greater balance in share holder registers by directing new issues of equity to individual shareholders.

There are currently no techniques for distributing new issues widely among more shareholders in the UK but these do exist in the US and in some European countries, notably France.

In 1988 my firm raised nearly $7.8bn through 92 new issues of equity in the US and worldwide.

Approximately 54 per cent of the shares which we placed were with individual shareholders largely at the specific request of the issuing company.

This percentage even excludes two large funds of over $2.2bn in total, all of which were placed with individual investors.

In a large global equity capital issue for Citicorp (approximately $1.2 billion) sold both in the US and internationally, 71 per cent of the US tranche was placed with individuals and 42 per cent of the international tranche was also directed away from institutional shareholders in keeping with the issuer's desire to broaden ownership among individuals.

The critical aspect affecting rights of shareholders is the question of dilution and it is clearly not the case that less rigorous enforcement of rights of pre-emption must necessarily involve dilution of shareholders' interests.

It is important to note, however, that a great many constraints currently exist which frustrate the development of wider share ownership.

Notable among these are the fiscal bias in favour of collective investment schemes and the absence of large securities distribution networks.

The question of pre-emption rights is a relatively minor and indirect aspect of a complex question but nevertheless deserves continuing examination.

S.M. Yassukovich,
Merrill Lynch Europe Ltd,
Ropemaker Place,
25 Ropemaker Street,
EC2

Zambian agricultural production should benefit rural dwellers

From Mr Adrian Wood and Mr Stuart Kean.

Sir, Nicholas Woodsworth's article, "High tech irrigation opens Zambian locks" (January 13), presents a very one-sided view of the Gwembe Valley Development Company's scheme.

The article ignores the fact that the goal of increased agricultural production must be the improved welfare of all Zambia's people, rural dwellers as well as urban.

Indeed the article suggests that the goals of production are to satisfy the needs of the urban population: specifically wheat to provide bread for those in town, and cotton to earn foreign exchange for imports required primarily by the urban economy.

No attention is paid in the article to the project's impact on the Gwembe Tonga and the cost they are paying for a scheme which benefits them little. No mention is made of the fact that 1,000 families were required to give up their land, and face a second relocation within a generation. (Their first upheaval was due to the Kariba dam, another scheme which served the urban economy and deprived the Tonga of valuable alluvial land.)

The project assumes that compensation and employment opportunities are adequate recompense for further land alienation, but there is insufficient unused arable land within the district to support the displaced farmers, while that which is available has lower fertility.

The article bemoans the failure of farmers in the area to take up the wage opportunities offered by the scheme. Yet with employment opportunities so limited and variable in Zambia today there are very few farmers who are prepared to give up the relative security of producing their own food.

Indeed the relocated villagers have been hostile to the scheme which has undermined their security, and it has suffered several sabotage attacks. Such a situation could pose a threat to the project's long-term viability which envisages expansion to twice the present size.

Production of cotton through such schemes is also questionable when their foreign exchange costs are higher than those of small-scale producers. Indeed the development impacts of small-scale agriculture, in terms of multiplier effects and improved rural incomes, are generally much greater than those from large-scale schemes. Outgrowers around the nucleus estate could have produced such benefits.

While Zambia's difficult economic situation forces it to look for overseas capital in order to finance much of its development, schemes such as GVDC's are not the only option.

Greater attention should be paid to using the skills and resources of foreign agricultural companies to support the development of small-scale producers, through initiatives such as improved service provision, thereby creating more widespread development. This can still produce profits but with lower costs borne by the local communities.

Adrian Wood,
Huddersfield Polytechnic
Stuart Kean,
University of East Anglia.

Correcting the defects of EC dumping regulations

From Mr Brian Hindley.

Sir, When high officials obfuscate, ordinary citizens should keep a tight grip on their wallets. Mr Krenzler (Letters, January 19) argues against the notion that "no dumping should be found when a Japanese producer markets its product at identical prices in both Japan and the Community". But the grounds on which he rejects that apparently innocuous proposition are specious.

Everyone agrees that dumping calculations should take account of "ocean transport, insurance, handling, customs duties and so on."

In the context of a debate about the merits of anti-dumping methodology, it is therefore sensible to set them on one side so that matters of central concern can more easily be addressed.

The numbers in my article (January 6) are intended to be read as net of all of these factors. I should have been more explicit. It did not occur to me that the point could be misunderstood.

Mr Krenzler's second ground for rejection lies in his assertion that the marketing companies of Japanese manufacturers have different functions in Japan and the EC.

In my example, however, the EC and Japanese marketing companies have exactly the same functions and the EC methodology still produces a 30 per cent dumping margin. Alternatively stated, the defects in the EC methodology remain when the differences in function alleged by Mr Krenzler are accurately taken into account.

Simple numerical examples have as many potential advantages for one side of this discussion as for the other. I claim that with my numbers, the EC methodology will produce a dumping margin of 30 per cent.

That is a precise proposition and it is open to Mr Krenzler to say that it is wrong: that I have, for example, neglected a provision of this or that article, or an element of procedure that, when taken into account, produces the warranted dumping margin of 0.

That Mr Krenzler does not do that, but concentrates instead on peripheral issues, might be taken to be obscurantism.

But perhaps it is not. Perhaps the higher echelons of the Commission actually do not recognise the biases in the EC methodology. I have conjectured that the Commission thought that it could conceal its new protective device in a cloud of technicality.

Perhaps the same cloud conceals it from senior members of the Commission – they prefer to wander around the four floors of the Berlaymont, telling one another that EC anti-dumping policy is "incontestably the most liberal in the world", while at the same time ignoring the mechanics of how those useful dumping margins are derived.

Mr Krenzler could have saved his staff the trouble of gathering the statistics in the first part of his letter had he read my article more carefully. I do not suggest that the Asian-facing ramparts of Fortress Europe are already in place.

I suggest that manipulation of anti-dumping policy is the foundation stone for ramparts that are still in the mind of the architects.

The EC has been experimenting with its new anti-dumping policy for the past four or five years, at first cautiously, now with more confidence – and with correspondingly higher anti-dumping margins and duties.

Fortress Europe's ramparts have not yet appeared in their full majesty. They inevitably will if EC anti-dumping policy continues on its present course.

If Asian exporters are sure that they will be hit by anti-dumping duties if they sell in the EC at non-dumped prices, they will charge higher prices within the EC (which may explain the failure of the Commission to find dumping in the cases referred to by Mr Krenzler). If they do not raise their prices by enough, their aggrieved Community competitors will suggest that they do – and, backed up by credible threats of anti-dumping action, that is not a suggestion to be taken lightly.

Mr Krenzler rejects the idea of Fortress Europe. Were he to place his very considerable influence behind an effort to correct the defects of current EC anti-dumping regulations, that rejection would acquire more substance.

Brian Hindley,
Trade Policy Research Centre,
1 Gough Square,
Fleet Street, EC4.

FOREIGN AFFAIRS

Bringing down the Wall

Edward Mortimer asks whether Western calls to end the Berlin divide are more than rhetorical

Is it possible that the British and Americans are more concerned about the freedom and unity of Berlin than the West Germans are? That seems prima facie implausible, but it is a conclusion one might draw from the speeches last week at the final session of the Vienna follow-up meeting of the Conference on Security and Co-operation in Europe (CSCE). It was Mr George Shultz and Sir Geoffrey Howe who singled out the Berlin Wall as a symbol of the arbitrary divisions and restrictions in Europe which the CSCE is designed to overcome. "An inhumane structure. The sort of thing that has to come down," said Mr Shultz. "The most public symbol of the divide between freedom on one side and its denial on the other. It mocks all our work to remove barriers to human contacts and understanding," said Sir Geoffrey.

There is no reason to think that Mr Hans-Dietrich Genscher does not agree with every word of those statements. Indeed there are very good reasons to think that he does, and that the removal of the Wall is one of his long-term objectives. But he did not choose to emphasise it in his Vienna speech, even though he took a tougher line on human rights in general than his Western critics had expected; and even though there are elections in West Berlin next Sunday, which one might have thought would give him a good party political reason to stress the Berlin issue.

There is a longstanding Western phobia that the Soviet Union will tempt West Germany into neutralism by dangling the carrot of German reunification. The year before last some commentators were even suggesting that Mr Gorbachev's next tactical masterstroke might be to pull down the Wall, or to offer to do so. But so far he has done nothing of the sort, in fact quite the opposite. While Chancellor Kohl was received in Moscow last year with conspicuous warmth, his plea for German unity was firmly, almost brusquely, rebuffed; and in a recently published survey* of Soviet policy towards West Germany, the theme of which is that Gorbachev is playing skilfully on West German sensibilities to prevent West European military integration and to limit West Germany's contribution to common Western defences, there is a conspicuous lack of any reference to Berlin, East Germany, or German reunification.

Any questions about the Berlin Wall addressed directly to the Kremlin are promptly returned to sender with the inscription "try next door." Since the creation of the German Democratic Republic (GDR) in 1949, East Berlin has functioned as its capital and has been treated as such by the Soviet Union. Whether or not the decision to build the Wall in 1961 was taken in Moscow (it most certainly have been approved there) it was, formally, a decision of the GDR authorities, carried out by units of the GDR Volkspolizei and "Combat Groups of the working class."

There is a Western phobia that Moscow will tempt Bonn into neutralism by dangling the carrot of German reunification

It is true that subsequently, in the 1971 Quadripartite Agreement, the Soviet Union confirmed that Berlin as a whole remains the responsibility of the Four Powers which occupied it in 1945, and confirmed the right of West Berliners to visit both East Berlin and the GDR. But it continues to treat East Berliners as citizens of the GDR, over whose rights and freedoms the GDR authorities have sole jurisdiction.

In Vienna last week Mr Eduard Shevardnadze confirmed that that position has not changed. The Berlin Wall was not a matter for the CSCE, he said. "Every state builds its frontiers as it considers necessary, and one must proceed from that. One must respect the sovereignty of states."

To the West this Soviet parade of respect for the "sovereignty" of East European satellites when they are violating human rights seems thoroughly disingenuous, given past Soviet treatment of that sovereignty in practice; especially so in the case of the GDR, an entirely artificial state which owes its very existence to Soviet fiat. The trouble is that the West itself has long since sold that particular pass. All Western countries, including the three Western occupying powers in Berlin, have recognised the GDR and established their embassies to it in East Berlin. Their nationals go back and forth through the Wall every day, showing their papers to East German border guards. To all intents and purposes they accept that East Berlin is part of the GDR and that the Wall is an East German phenomenon.

The general Western attitude is that that is a pity. If only things were in our direct control, we tend to think, of course he would pull down that nasty Wall. What a shame that his predecessors handed East Germany over to horrid Mr Honecker, so that now Mr Gorbachev can't do anything about it without betraying his own principles.

The attitude of West Germans, and perhaps especially of West Berliners, is subtly different. Of course they are as enthusiastic as anyone about the Gorbachev phenomenon, and more inclined than most to draw optimistic conclusions from it about the future of central Europe. Of course they are very well aware that Mr Honecker and his comrades are a bunch of incorrigible old Stalinists who want no truck with perestroika or glasnost. But they are also much more aware than, say, Britons or Americans, that while the Soviet attitude to Berlin remains rigorously unchanged, the East German attitude has changed and is probably still changing, in many small but practical ways which have considerable significance for the day-to-day life of the city.

This point was stressed by Mr Eberhard Diepgen, the Governing Mayor of West Berlin, when he spoke at a Royal Institute of International Affairs lunch on a recent visit to London. Among the latest examples he cited were agreements on a joint electricity grid, and on cultural and scientific exchanges. Broadly speaking, it seems that Honecker and Co have given up trying to isolate West Berlin or squeeze it into submission, and are treating it instead as a channel through which tourists and other bearers of hard currency can be attracted into the GDR.

The Wall itself remains an ugly and offensive gash across the middle of the city. But it is no longer the scene of the bloody and tragic incidents which cost 72 people their lives in the 1960s, because for East Germans to get to the West is no longer so difficult as to be worth risking their lives. It could probably now be pulled down and replaced by a less menacing frontier fence without making much practical difference.

But West Berlin is going to remain a Western enclave inside Eastern Europe. That was decided in practice in 1949, and what is surprising if anything is that the GDR survived for 12 years after 1949 before it got round to plugging such a large, wide open gap in its physical frontier. The offensive anomaly of a carefully controlled state frontier dividing a city in two is likely to remain for some time yet – for as long, in fact, as Europe remains divided into East and West. When Mr Shultz and Sir Geoffrey Howe call for its removal they are in fact calling for the end of that division, which would probably also mean the end of the existence of the GDR.

* *Bonn and Moscow: A Partnership in Progress? By Robbin Laird, Institute for European Defence & Strategic Studies, £4.50.*

FINANCIAL TIMES
Tuesday January 24 1989

Troops defeat civilian rebels at Argentine barracks

By Our Foreign Staff

ARGENTINE troops yesterday regained control of an army barracks near Buenos Aires after four hours of heavy fighting against civilian insurgents who had earlier stormed the base.

According to a local news agency, between 20 and 30 people died in the fighting. An officer on guard outside the La Tablada barracks said most of the rebels – estimated by police at about 50 and including several women – had been "eliminated".

The rebel group, calling itself the "New Argentine Army", stormed the Third Infantry Regiment base at La Tablada shortly after dawn. It broke through the main gates in a stolen Coca-Cola lorry and threw grenades at buildings where soldiers slept.

Three buildings were set on fire, including a military prison where several armed forces officers convicted for human rights violations are serving sentences, and a radio tower was shot down.

A spokesman for President Raúl Alfonsín called the insurgents "delinquents". Pamphlets scattered by the group said it supported the leaders of three failed army rebellions over the past two years.

The pamphlets said the group had been formed to "combat Marxist subversion within the government" and was against "the Radical [governing party] campaign to destroy the army".

Speculation was divided over whether the rebels were supporters of Col Mohamed Ali Seineldín, who staged a military uprising in early December, or whether they were left-wing extremists.

Col Seineldín, however, distanced himself from the rebels. Radio reports quoted him saying he knew nothing about the insurgency.

Police and army troops of the Tenth Mechanised Infantry brigade arrived to suppress the rebels at 11am and fighting intensified after noon as troops supported by mortar fire and armoured cars moved against the insurgents.

As the firing intensified, police ordered civilians to evacuate the streets surrounding the base. Police and onlookers were forced to dive for cover.

At the outbreak of the crisis the guard was increased at Casa Rosada, the presidential palace.

Cabinet ministers on holiday at the Argentine resort of Tinamar, including Mr Horacio Juanarena, the Defence Minister, Mr Dante Caputo, the Foreign Minister, and Mr Juan Sourraille, the Economy Minister, flew back to Buenos Aires when they heared of the incident.

Dali: surreal in death as in life

Peter Bruce reports on the financial intrigue of an artistic legacy

FOURTEEN days from now, the last will and testament of Salvador Domingo Felipe Jacinto Dali Domenech Cusi y Farres will be opened by a notary, probably in the small Catalan hamlet of Pubol, the site of a run-down fortress he repaired for his late wife Gala.

Dali, the world's most prolific surrealist painter, died yesterday morning in a clinic in nearby Figueras, where he was born 84 years ago. He leaves in his wake probably the most turbulent history of any Spanish artist this century and the opening of the will is not likely to mark the end of it.

For the past six years Dali has been virtually bed-ridden. But his penchant for the grotesque – long hair, waxed moustache and funny clothes – was suddenly made real when one saw pictures of an emaciated figure, usually being lifted into ambulances, with feeding or oxygen pipes up his nose while his long fingers play limply about his sheets.

Controversy surrounds his three minders, who have made it virtually impossible for anyone to see him since he first took to bed in 1982 after Gala died. They are led by a French photographer, Mr Robert Descharnes, who first met the painter 40 years ago. And they have been accused by art collectors in the US and Europe of endangering Dali's fortune while also trying to secure the intellectual rights to all his work until the year 2004 through a Dutch trust, Demart Pro Arte, which they administer. Mr Descharnes has always claimed to be doing the artist's bidding.

The trust is in financial difficulty, Mr Descharnes has admitted, largely because of the costs involved in chasing down hundreds of Dali forgeries. In 1987, the trust spent $1.2m alone in court battles. A $12m bank account in New York is said to have dwindled to almost nothing.

The three guardians came under particularly heavy criticism in 1984 after a mystery fire broke out in the tower of the Pubol castle where Dali had closeted himself. The painter was badly burned but was only delivered to hospital 19 hours later, after being dressed in a smoking jacket and a turban, and driven to the Figueras museum to inaugurate a memorial to Gala.

But the remaining legacy is huge, possibly worth close to $200m. Some of the 600 paintings in the Dali museum in Figueras (where he is to be buried tomorrow), guarded by Mr Descharnes, Antoni Pitxot and Miguel Domenech, are estimated to be worth several million dollars each. The will should say where they go.

Most of the paintings stay in Spain, but his guardians, the Catalan Government, the city of Barcelona and the central Government all have more than a passing interest in the outcome. The only certainty is that nothing will go to Dali's sister, Anna Maria, whom he disliked. When she sneaked past his guardians to visit Dali after the fire, he greeted her with the words: "Get out of here, you old lesbian."

The trouble with Dali's legacy is largely of his own making.

He was naive and gentle, but driven by the need to finance his florid lifestyle and the apparent greed of his wife, who tormented him to encourage him to work. About 20 years ago *Dali began signing blank* sheets of paper under the impression that the sheets would be used to print signed lithographs of his work. One former secretary, Mr John Moore, has said Dali signed more than 350,000 blanks.

It was never clear what would be printed on the blanks but their existence and thousands of forgeries – Mr Moore once counted 678 different "Dali" signatures – have ruined the value of his work on the market. He painted or drew more than 10,000 pictures in his lifetime and the Spanish forger Manuel Pujol once testified that he forged hundreds of Dali's paintings at Gala's behest.

Mr Giuseppe Albaretto, an Italian collector who claims to own the world's biggest private Dali collection, said yesterday that even Dali's signature on the documents giving Demart rights to his work in 1986 is false. He insists that Dali gave him rights to reprint the sublime El Cristo del Valles when he bought the work, and that Mr Descharnes has since tried to sell the rights.

Gala's own will forms part of the row that will break out in two weeks' time. She had no time for Mr Descharnes and gave most of her large collection of Dalis, Picassos and Chiricos to the State. But she made Dali her trustee.

Whether Demart has rights to her Dalis, or any others in private hands, will occupy lawyers around the world for many years. But only the sorry fact that Spain has lost the last of its truly great artists mattered yesterday. His bizarre private life, his dalliance with Franco and his appalling lack of care for his work were smothered briefly by hundreds of tributes to a gifted but essentially harmless old Catalan.

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Peru faces austerity measures, says Garcia

By Veronica Baruffati in Lima

PRESIDENT Alan Garcia of Peru has warned the country that it faces drastic austerity measures if it wants to restore relations with the International Monetary Fund and World Bank to gain access to fresh loans.

He said on Sunday that an IMF team would visit the country next week "to study the economy and propose a much tougher programme than the so called economic packages we have been having." He added: "It is difficult to talk about the IMF, but, cost what it may, we have to salvage the economy."

Peru has accumulated arrears of $6bn on its foreign debt and its performance has rendered it ineligible for World Bank or IMF funds. The country has sought to mend fences with the multilateral institutions over the last few months, with secret contacts believed to have taken place between President Garcia and Mr Arjun Sengupta, a special representative of Mr Michel Camdessus, the IMF managing director.

In a 10-minute television appearance on Sunday, Mr Carlos Rivas Davila, Peru's Finance Minister, reported on his recent trip to Washington, where he spoke to representatives of the international financial community.

He spelled out some of the terms which Peru would have to meet if it wanted to negotiate fresh loans which would include a symbolic payment of $30m to the IMF as a token of goodwill to repay its debt.

This would involve drawing up a shock economic programme, the main objectives of which would be to eliminate all subsidies; the unification of the official exchange rate in line with the parallel dollar rate, at present almost triple the highest official rate; an end to the indexation of wages; and the introduction of an austerity programme aimed at eliminating the fiscal deficit which equalled 15 per cent of Gross Domestic Product in 1988.

Mr Rivas did not clarify whether the Government had agreed to make the symbolic payment.

● Mr Garcia also announced an oil discovery in a jungle region with deposits estimated at 600m barrels, AP reports. The discovery, he said, was by by Occidental Petroleum in La Collpa in Ucayali, north-east of Lima.

Occidental, Steven Butler adds, has drilled to a depth of 9,300 ft and encountered encouraging signs of oil, but the well has not reached its target depth. It has yet to be logged or tested, making it impossible to determine whether oil exists in quantity or can be commercially produced.

Banks intervene to curb dollar

Continued from Page 1

DM1.8380, compared with DM1.8435 on Friday, and at Y127.8 compared with Y128.25. In New York it closed at DM1.8310 and Y127.45.

European monetary officials explained that their strategy was designed, in part, to remind the market that currencies could fall as well as rise. They said their intervention appeared to have been moderately successful and that they were taking market developments a day at a time.

The move by the central banks to intervene again yesterday left many in the market speculating that further dollar sales by them could turn market sentiment dramatically. This was on the basis that if traders could not buy the dollar because of central bank intervention then they would sell it.

In general, however, they said the dollar was still well supported by the current structure of short-term interest rates relative to others in the world.

Gandhi reviews local election setbacks

By David Housego and K. K. Sharma in New Delhi

MR RAJIV GANDHI, the Indian Prime Minister, and leaders of the Congress (I) Party were yesterday busily reviewing the party's electoral prospects in the light of the two big reverses they suffered over the weekend.

In the southern state of Tamil Nadu, the regional Tamil party the Dravida Munnetra Kazhagam (DMK) won more than two thirds of the seats in the new assembly with the Congress Party coming a poor third. In the central Hindi-speaking state of Madhya Pradesh, Mr Arjun Singh, a former close associate of Mr Gandhi, was yesterday replaced as Chief Minister after the High Court endorsed corruption charges against him.

The one consolation for the Congress Party was that in the small north-eastern states of Nagaland and Mizoram which also went to the polls on Saturday, it was leading comfortably over its rivals yesterday.

The focus of the Congress Party strategy review was on how to regain the initiative after the weekend's reverses and before a general election due by the end of the year. The defeat in Tamil Nadu rules out an early poll.

In previous times of trouble Mr Gandhi's instinct has been to reshuffle his Cabinet. This option remains a possibility. New Delhi has been full of talk in recent weeks that Mr Narasimha Rao will be replaced as Minister for External Affairs with possibly Mr S. B. Chavan, the Finance Minister, going as well. A Cabinet reshuffle could be imposed on the Prime Minister if he should choose a minister in the central Government to take over from Mr Arjun Singh as Chief Minister of Madhya Pradesh.

The disadvantage of switching ministers is that Mr Rajiv Gandhi has done it too often to gain further political mileage from the exercise. A further Cabinet reshuffle risks being dismissed as a cosmetic gesture – and one likely to diminish the efficiency of government because new ministers would barely have time to learn their jobs before a general election.

More worrying for Mr Gandhi, the defeat in Tamil Nadu is bound to raise questions among senior Congress leaders over his vote-winning capabilities. Tamil Nadu is by no means the first time that Mr Gandhi has committed his personal prestige by campaigning intensively. In West Bengal the result was also a damp squib.

The questioning of his leadership is also likely to encourage squabbling within the state Congress parties. Splits are currently undermining the local Congress Party leadership in Bihar, Maharashtra, Gujarat, and Madhya Pradesh.

Mr Gandhi's strong point is that the Government's own intelligence services have been reporting that in the Northern Hindi belt – where national elections are won or lost in India – his popularity has been on the increase since the summer.

But this upward trend has not been confirmed by the results of recent municipal elections in the north. In most towns the Congress Party did not contest these directly. But the advances made by the Hindu communal party, the Bhartiya Janata Party (BJP), have been taken as a reverse for the Congress Party.

For the Opposition, the main lesson to be drawn from the poll is that if their alliance holds firm they stand a good chance of defeating the Congress Party at the next election. In the last resort, the DMK gained a landslide victory in Tamil Nadu because its opponents were divided among themselves.

Since they formed the National Front coalition in September, the opposition parties have been incessantly quarrelling over policies and leadership. Mr V. P. Singh, the Front's acknowledged leader, has taken a firmer hold over his troops since the new year.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	S	14	57	Malta	R	09	48	Rhodes	S	13	55
Algiers	R	10	50	Edinburgh	F	08	46	Manchester	C	11	52	Rio de Jo	C	37	97
Amsterdam	F	03	37	Faro	S	14	57	Manila	C	32	90	Rome	C	08	46
Athens	F	12	54	Florence	S	13	55	Melbourne	S	24	75	Salzburg	C	02	36
Bahrain	C	18	64	Frankfurt	C	08	46	Mexico City	F	20	68	San Francisco	F	11	52
Bangkok	C	32	90	Funchal	F	17	63	Miami	F	26	79	Seoul	R	03	37
Barcelona	F	11	52	Geneva	F	06	43	Milan	S	06	43	Singapore	C	30	86
Beirut	F	15	59	Gibraltar	F	16	61	Montreal	C	01	34	Stockholm	C	02	36
Belfast	C	08	46	Glasgow	F	08	46	Moscow	C	02	36	Strasbourg	Fg	03	37
Belgrade	C	03	37	Guernsey	C	09	48	Munich	C	00	32	Sydney	F	22	72
Berlin	F	05	41	Helsinki	G	00	32	Nairobi	C	23	73	Taipei	C	15	59
Biarritz	S	08	46	H. Kong	F	17	63	Naples	F	10	50	Tangier	S	17	63
Bombay	S	28	82	Innsbruck	C	03	37	Nassau	F	29	84	Tel Aviv	R	11	52
Bordeaux	S	08	46	Inverness	R	09	48	New Delhi	F	20	68	Tenerife	S	20	68
Brussels	F	08	46	Islamabad	F	31	88	New York	C	05	41	Tokyo	R	08	46
Budapest	C	05	41	Istanbul	F	10	50	Nice	S	16	61	Toronto	C	05	41
B. Aires	F	34	93	Jakarta	R	32	90	Nicosia	F	16	61	Tunis	C	14	57
Cairo	F	17	63	Jersey	F	08	46	Oporto	S	11	52	Valencia	S	14	57
Cape Town	S	22	72	Jo'burg	F	28	82	Oslo	C	04	39	Venice	S	08	46
Caracas	C	23	73	Lima	F	25	78	Paris	F	08	46	Vienna	S	05	41
Casablanca	S	16	61	Lisbon	F	15	59	Peking	S	03	37	Warsaw	C	05	41
Chicago	S	01	34	London	F	10	50	Prague	F	04	39	Washington	F	-1	30
Cologne	F	04	39	Los Angeles	R	23	73	Reykjavik	C	05	41	Zurich	C	03	37
Copenhagen	C	04	39	Luxembourg	Fg	01	34								
Corfu	F	14	57	Madrid	S	08	46								
Dallas	F	08	46	Majorca	C	14	57								
Dublin	S	11	52	Malaga	C	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Attack on EC policy

Continued from Page 1

sion of the notion of free competition to the outside world.

Mr Henderson says the EC approach to reciprocity in the services sector "may in fact raise problems" with established OECD agreements in this area. It is also starkly in conflict with the non-reciprocal approach to liberalisation of the services sector in the EC itself. The EC's expectations that the single market would serve "as a much-needed shot in the arm" for the world economy are going too far, he adds.

The single market could, however, set in train an investment boom that would lead Europe's current account balance of payments to swing into deficit which would be associated by a rise in the real exchange rate.

There are also policy concerns about intra-European payments balances. "If not checked, the growth of these imbalances could pose problems for the implementation of the single market."

1992: The External Dimension. The Group of Thirty, 32 St Mary at Hill, London EC3P 3AJ. £7.

THE LEX COLUMN

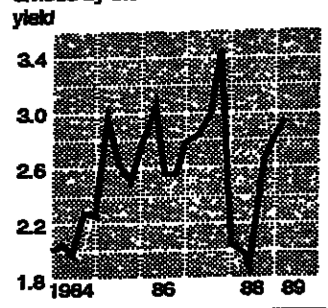
Daimler moves down a gear

The market was in no doubt yesterday that the latest in the interminable Daimler/MBB saga was bad news, but then it probably would have thought that anyway. Daimler may well be right to secure control of MBB at once, but shareholders could only see further earnings dilution, and conclude that an even bigger rights issue would be needed to pay for it.

The 12 per cent plunge in Daimler's shares in the last three weeks has been a little like the company itself: slow to start, but hard to stop once it gets going. Six months ago it was clear to many analysts that earnings are on a falling trend until the new car model comes to the rescue in 1990 or 1991. However, it was not until the Stuttgart town council let slip that Daimler's rates bill was shrinking – implying that its earnings were doing likewise – that the shares got the message.

In other circumstances the MMB deal might have been dressed up to look like a gift from the taxpayer to Daimler's shareholders, but with a 10 per cent fall in 1988 earnings already expected and 5 per cent more in 1989, a further 10 per cent or so dilution from MBB is particularly unwelcome. The shares are now at their lowest against the market for nearly five years, and in the longer term may be a screaming buy. But given the market's speed of response – not to mention the company's touchingly honest assertion that it plans a rights issue in the middle distance – recovery may be some time off.

Yield ratio
3mth Sterling interbank yield divided by the FT–A All-Share yield



Unigate

Unigate's dairy sale to the Milk Marketing Board is further illustration, if it were needed, of the gulf separating agriculture and industry. It is not merely that the MMB is paying twice asset value for a business which faces dwindling demand and rising competition from imports. It is also hard to conceive of any other business in which a monopolistic cartel would be allowed to extend its reach vertically through the distribution chain, in this case from 6 per cent to 16 per cent of milk delivery in England and Wales. There is a clear suggestion of manoeuvring ahead of a possible break-up or weakening of the cartel, which might include the flotation of the MMB's Dairy Crest subsidiary. But in the meantime, the power of the farmer to defy the normal rules of competition can only be envied by such relative amateurs as the booksellers or the brewers.

For Unigate, the question is partly whether it is stitching up the MMB as effectively as it did in its similar creameries deal ten years ago. The immediate effect will be an increase in earnings, and its partial withdrawal from liquid milk, while retaining enough to be sure of supplying its dairy products business, looks tactically sound enough. But in earnings terms, notwithstanding its long-term decline, the liquid milk business has the characteristics of a gilt-edged stock. In realising part of its portfolio, Unigate has yet to show that it can spend the proceeds wisely.

Yesterday's 9p drop in the share price probably had more to do with the market's judgement on Unigate's own chances of being taken over. It is not easy to follow the reasoning: to the extent that it has swapped a problematic business for cash, the company is surely more attractive than before.

Bank loyalty

Yesterday's comments from the Governor of the Bank of England on the rather touchy subject of banking relationships *during takeover battles* were presumably anodyne enough not to upset such stalwart Bank directors as Sir Adrian Cadbury and Sir Hector Laing, whose companies are often touted as ideal takeover bait. Nevertheless, the Governor's words will provide some comfort for Barclays Bank, which is still smarting from all the adverse publicity it has attracted because of its aborted plan to help finance the break-up of GEC.

There can be little dispute with the Governor's general message that corporate customers that flit from bank to bank in search of the finest terms cannot expect any particular loyalty from their bankers. But there was a time, not so very long ago, when clearing bank boards were awash with the directors of their corporate customers because this was a good way of retaining their business. While the banks may doubtless argue that these days are long gone, there is still a suspicion that some banks are playing by their own set of rules. If the clearing banks were subject to the same threat of takeover occasionally, it would probably do wonders for their performance. Over the last 15 years, Barclays shares have underperformed the market by almost 50 per cent, whilst GEC's shares have outperformed by more than a third.

Markets

Yesterday's uneasy wobble by the FT-SE suggests, as might have been expected, that the market is not yet sure of where it finds itself. Fund managers will still be torn between fear of being left behind and the temptation to lock in this month's 8 per cent gain by reverting to cash. The relation between short term rates and equity yields is creeping back to pre-crash levels, suggesting that the market is half-convinced that base rates are about to top out. This would not be inconsistent with a short-term setback after the recent remarkable rise: the question is whether the market shows in the process that it has indeed entered a new trading range.

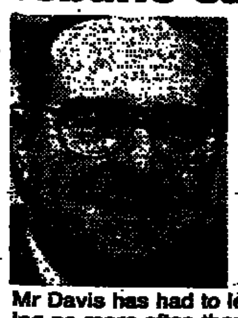
Discount houses

After several years of waiting, London has finally got two brand new discount houses – or rather one and a half, since Greenwell Montagu Gilt-Edged has decided not to set up a special subsidiary. However, the scarcity of new applicants for what was once one of the City's most coveted titles probably says far more about the general state of the financial markets than about the health of the discount market itself. If the discount market had been thrown open at the same time as everyone was invited to apply for the job of gilt-edged market-makers back in 1986, there would almost certainly have been dozens of applicants. However, there is a far more realistic attitude to risk and reward these days; and the Bank of England itself has probably learned the dangers of being too free with its licences.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 24 1989

INSIDE

Cash-rich Reed rebuffs suitors



Sudden wealth can be an enormous burden: something Mr Peter Davis (left), chief executive of Reed International, knows only too well. Since it sold its manufacturing activities last year, the nouveau cash rich publishing and information group has faced a stream of eager suitors and mendicants. Mr Davis has had to learn the gentle art of saying no more often than maybe, even if this has frustrated an excitement-hungry City, reports Raymond Snoddy. Page 24

Spark for Brussels reform

In Brussels this morning the curtain will go up on Cats — not the Andrew Lloyd-Webber musical but the long-planned electronic trading system designed to breathe new life into the local bourse. Page 23

DSM takes specialty route into the 1990s

Today sees the biggest ever share offer in Dutch history. The Government is selling one-third of the state chemicals giant DSM in a move which is expected to raise about Fl 1.4bn. Peter Marsh looks at the company's prospects and explains how it has been trying to move into more specialised areas which are thought to offer better margins and growth during the 1990s. Page 20

Gold Fields digs deep to fend off Minorco

Consolidated Gold Fields, the UK-based diversified mining group, has so far spent nearly £20m fighting off the hostile approaches of Minorco, the South African-controlled investment company. And the bill will go on increasing because the bitter corporate battle between the two companies is moving into a critical phase, reports Kenneth Gooding. Page 26

Wind of change blows through UK dairies

Unigate

The news of a £126m deal between two of Britain's biggest dairy companies — Dairy Crest and Unigate — is proof that the EC's introduction of milk quotas in 1984 is now having a big effect on the dairy industry, reports Bridget Bloom. The reduction of the butter mountain and the elimination of skimmed milk powder stocks have radically changed the climate in which dairy companies operate, and further changes are in the offing. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Deut. Babcock	154.5	+	2.5	Guyenne et Gas.	956	+	43
RWE	238	+	7	Maison Phenix	85.8	+	8.8
Veg AG Alton	245	+	3.5	Roussel Uc.	1110	+	120
Falls				Falls			
BMW	513	−	7	Carrefour	3225	−	157
Daimler Benz	679	−	13	Docks Ass.	355	−	14.2
Deutsche Bank	545	−	8.5	[illegible]	5.3	−	2
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
[illegible]	62⅞	+	1⅛	[illegible]	2550	+	640
[illegible]	37⅞	+	1⅝	[illegible]	1040	+	105
Texas Eastern	48⅞	+	1⅜	[illegible]	1000	+	107
Falls				[illegible]	1000	+	101
[illegible]	58⅞	−	1⅛	Falls			
IBM	122⅞	−	1⅛	[illegible]	245	−	23
Union Carbide	27⅛	−	⅝	[illegible]	1150	−	80
LONDON (Pence)							
Rises				Redland	482	+	10½
[illegible]	465	+	10	[illegible]	614	+	13
[illegible]	475	+	80	[illegible]	259	+	8
[illegible]	95	+	8	THORN EMI	686	+	12
Century Oils	138	+	9	UK Paper	217	+	10
Chapman Inds	365	+	6	Falls			
Glaxo	1111	+	6	[illegible]	129	−	9
[illegible]	557	+	12	Hammerson A	814	−	11
[illegible]	210	+	8	LASMO	474	−	10
Land Securities	579	+	9	Racal Telecom	227	−	6
Legal & Gen	324	+	8	Unigate	355	−	9
Lucas Inds	585	+	9	Wimpey (G)	261	−	21
M & G Group	254	+	9				
RMC	552	+	14				

London listing for Sumitomo Bank

By David Lascelles in London

SUMITOMO BANK, Japan's largest in terms of profits, obtains a listing for its shares on the London Stock Exchange today. This means that Japan's five largest banks are now quoted in London.

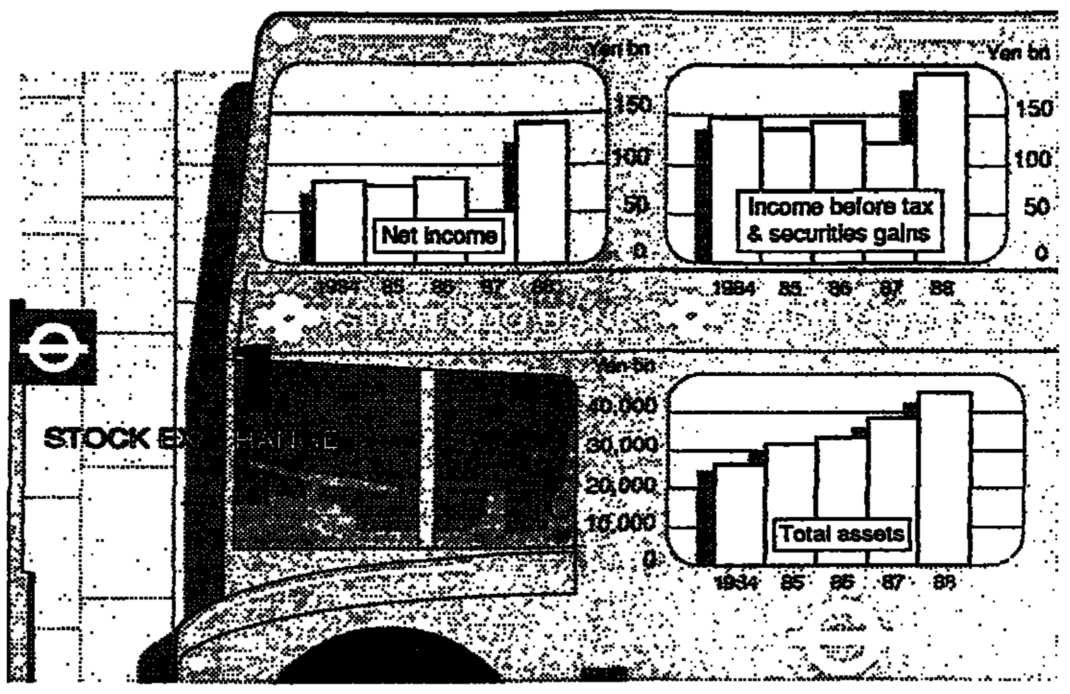
Mr Hiroshi Mineoka, senior managing director, said his bank wanted to achieve wider recognition in the European market, which he described as one of its major areas of planned expansion.

He said Sumitomo had no immediate need for equity capital because it was in the process of raising the equivalent of nearly $1bn through a series of convertible issues. However, analysts believe that Japanese banks will require substantial amounts of new funds in order to abide by the new international capital regulations.

Sumitomo's main international ambitions were to strengthen its position in the Asian, European and American markets, mainly in the area of wholesale and investment banking, said Mr Mineoka. There was no intention to develop retail banking outside Japan.

The listing is being sponsored by S.G. Warburg Securities, Daiwa Europe, Sumitomo Finance International and Meiko Europe.

In recent months London listings have been obtained by Dai-Ichi Kangyo Bank, Fuji Bank, Mitsubishi Bank and Sanwa Bank.



Japanese giant with universal ambitions

Ian Rodger on Sumitomo's aggressive approach to a new era of international banking

Sumitomo Bank, one of the giants of Japanese banking, is limbering up for a new era of competition with European and American rivals, and the tremors will be felt around the world.

The bank, which obtains a listing for its shares in London today, is already the second largest in the world in terms of assets, and, by most measures, is the most international of Japan's big banks, with a reputation for aggression. It counts among its customers 160 of the Fortune 500 list of top US industrial companies, more than any other Japanese bank. It also has a much stronger position than them in the UK, with a customer base similar in size to that of the big, long-established Swiss banks.

Now Sumitomo, which two months ago regained its title as the most profitable of Japan's big commercial banks, is aiming to be a universal bank, says Mr Sotoo Tatsumi, its president.

In a rare interview, Mr Tatsumi predicted that Japan's financial industry, now rigidly separated into securities and various banking divisions, would be completely opened within the next two years, giving way to a system of universal banking similar to that in Western Europe.

"Our system has to be harmonised with that of the rest of the world," Mr Tatsumi said. "After 1992, the competitive power of European banks will be more significant. There will be friction unless we are in line with them."

He thinks the changing environment will cause considerable restructuring within the Japanese financial industry, with basically three types of financial groups emerging. There will be a few very large all-round banks of which Sumitomo intends to be one. "Sumitomo is focusing on all markets," he said. And there will be larger numbers of specialised and regional financial houses.

He also believes the coming shake-up could create some opportunities for foreign banks which have been frustrated until now in attempting to expand in the close knit Japanese market.

Sumitomo's international expansion has not been entirely smooth. The bank has a reputation for being aggressive and, more than other Japanese banks, it piled into third world country loans in the 1970s only to find that they were not such a good idea. It still has Y370bn ($2.9bn) in outstanding loans to developing countries and would rather be rid of them.

In the past 10 years, it has switched its focus to developed countries, building up investment banking operations in New York and London. (It claims to have no ambitions to build up retail banking abroad.) In 1984, it bought Banca del Gottardo in Switzerland, which had been part of the Ambrosiano group, for $144m (£82m) the first Japanese bank to buy a bank in Europe.

Two years later, it invested $500m in a 12.5 per cent limited partnership in Goldman Sachs, only to be told by the US Federal Reserve that it could not develop close relations with the leading US investment bank.

Stymied for now at least on that front, the bank has gone ahead to develop an investment banking business independently, mainly through subsidiaries Sumitomo Bank Capital Markets in New York and Sumitomo Finance International in London.

JAPAN'S LEADING BANKS				
Year to March '88	Gross Profits		Profits from international business	
	Amount Ym	Per cent increase	Amount Ym	Percentage of gross profits
Sumitomo	556,120	27.6	106,219	19.1
Dai-Ichi Kangyo	523,282	8.6	74,306	14.2
Fuji	493,516	8.4	91,323	18.5
Mitsubishi	448,307	12.5	67,246	15.0
Sanwa	439,599	11.6	84,403	19.2

It also controls Japan's 24th largest securities company, Meiko Shoken, which has been quietly opening subsidiaries and representative offices around the world.

Like other Japanese banks, Sumitomo has restricted its overseas securities activity until now to bonds, but may change its mind following the move by rival Industrial Bank of Japan (IBJ) last week to join the London Stock Exchange.

The bank has made a special effort to develop a mergers and acquisitions business and was rewarded handsomely last year when it acted as a financial adviser for Bridgestone Tire in its $2.6bn takeover of Firestone Tire of the US. Total fee income in the first half of the current year was Y57.7bn, up 62 per cent on the same period of the previous year.

However, Mr Tatsumi does not appear to be too dazzled by the prospects in this sector. Many analysts think friction may develop between Japan and Western countries this year over mergers and acquisitions because of the near impossibility for foreign companies of acquiring businesses in Japan. Sumitomo was in the spotlight on this front three years ago when a US bank was reported to be interested in buying Heiwa Sogo Bank, a deeply-troubled mutual savings bank in Tokyo.

According to legend, Japan closed ranks and found a Japanese buyer - which turned out to be Sumitomo - rather than let it go to a foreigner.

Mr Tatsumi denies this: "There was no refusal by the authorities and no concerted movement against a foreign bank."

He said that Sumitomo had been approached last year by Citibank of the US, which was interested in buying a certain small bank in a Tokyo suburb. "We said we were willing to co-operate with them." The Heiwa Sogo takeover was initially very difficult for Sumitomo, giving rise to a Y105bn goodwill write-off and saddling the bank with Y230bn in dodgy mortgage loans. The bank's net income in the year to March 31, 1987 plunged 30 per cent to Y57.4bn mainly because of the Heiwa Sogo takeover. In the following year, Sumitomo, in common with all Japanese banks, enjoyed a huge surge in profits, thanks to Japan's booming stock, bond and real estate markets, but the drain from Heiwa Sogo continued, and the bank did not recover its prized title as the country's most profitable bank.

The Sumitomo board, which prides itself on its management skills, became impatient and, in August, 1987, Mr Ichiro Isoda, chairman, said that Mr Koh Komatsu, the bank's president, would be resigning two months ahead of schedule. Mr Tatsumi, who took over the following month, said then that the bank aimed to regain its profitability title within three years. However, within only a few months, it started to see some benefits from its troublesome acquisition.

Still, the Japanese financial community was startled two months ago when Sumitomo said that it had regained its title more than a year in advance of its forecast. Its net income in the first half of the current fiscal year had more than doubled to Y47bn.

In typical aggressive fashion, the bank has moved quickly to raise its capital base to comply with the new Bank of International Settlements standard, reaching the 8 per cent standard three years ahead of the deadline. In 1987 and 1988, it raised Y360bn in new shares and convertible bonds, lifting its capital ratio to 8.2 per cent by last September. It is raising a further Y116.5bn next week through four kinds of convertible bonds.

Commission revenue at Merrill Lynch falls by 33%

By Roderick Oram in New York

MERRILL LYNCH, holding company for one of Wall Street's largest firms, suffered a 33 per cent drop in its commission revenue last year, reflecting the evaporation of business from retail clients in the wake of the 1987 stock market crash.

However, it was able to report higher earnings, thanks to a hefty increase in profits from trading on its own account, higher investment banking fees and a large special gain.

Mr William Schreyer, chairman, said the firm also benefited from diversifying away from the retail investment business. The strategy "once again paid handsome dividends as our capital markets business made substantial progress in debt underwriting, trading and strategic services."

Net profits for the fourth quarter ended December were $275.8m, or $2.69 a share, against a restated $1.5m a year earlier. For the full year they were $463.2m, or $4.29, against $335.1m, or $3.07. Revenues were $2.85bn against $2.35bn in the quarter and $10.55bn against $9.88bn in the year.

However, the latest full year and quarter figures included an after-tax gain of $254.7m from the ending of an employee benefits plan and a charge of $44.4m for closing, shrinking or merging some domestic and foreign operations. The year-earlier figures included after-tax gains of $249.6m from disposals.

Operating costs increased less than 2 per cent during the year, excluding special items.

Principal transactions by the company on its own account doubled to produce revenues of $1.5bn in the year. The jump reflected "strong fixed income trading, including governments and agencies, corporates, municipals and interest and currency exchange revenues."

Commission revenue slumped to $1.6bn in the year from $2.4bn, while investment banking fees rose to $1.18bn from $996m. Interest and dividend revenue increased 16 per cent to $4.07bn.

The growing importance of principal transactions to the financial performance — good and bad — of Wall Street firms has been underscored by two recent announcements. Bear Stearns reported sharply higher profits, reflecting in part healthy profits from its own accounts. In contrast, Shearson Lehman Hutton said it would report a $70m pre-tax loss in the fourth quarter on securities in an ailing Texas bank it had underwritten.

William Collins' chairman quits

By Fiona Thompson in London

MR IAN CHAPMAN has resigned as chairman of William Collins, the UK book publisher, following his failure earlier this month to thwart a hostile £403m ($705m) takeover bid from News International, headed by Mr Rupert Murdoch.

Collins said Mr Chapman would be leaving the company immediately and Mr Murdoch had taken his place.

Mr Chapman had been widely expected to leave, in the light of News' blistering attacks on his management and the bitter words spoken by both sides during the acrimonious seven-week takeover battle.

Mr Chapman said yesterday the only proper course of action open to him was to accept Mr Murdoch's "invitation to resign". The two men had met last week and agreed that "in view of all that had taken place it was not practical for us to work closely together within Collins."

Mr Chapman was also chief executive of Collins and it is thought likely he will be replaced in this role by Mr George Craig, at present chief executive of Harper & Row, the US publisher now owned outright by News Corporation, parent of News International. Before the bid it had been jointly owned by Collins and News Corp.

Ian Chapman: lost takeover battle

Apart from the formal announcement, no one from Collins or News was commenting yesterday, but Mr Craig's New York office confirmed that he was in London at Collins.

Before joining Harper & Row, Mr Craig was group managing director and vice chairman at Collins but differences of approach between him and Mr Chapman led to strains. This became a rift when Mr Craig went to Harper and the two quarrelled over whether Collins should sell some Harper & Row titles.

Mr Chapman, 63, has worked at Collins for 46 years. In 1981 he successfully fought off Mr Murdoch's first attempt to take over the publisher, helped by a passionate revolt by authors. News' had held a 41.7 per cent stake and two seats on the board since that bid.

Several of Collins' authors said last night they were saddened to see Mr Chapman go. "He was a good, straightforward man who knew what he was up to," said Mr Eric Newby, the travel writer. "Now you've got a large publishing house without a publisher."

Mr Newby said he would wait and see before deciding on his future with Collins. He would stay providing they continued to operate as in the past.

Hanson in Thomson T-Line move

By Ray Bashford in London

HANSON, the UK conglomerate, further muddied the battlefield around Thomson T-Line yesterday when it emerged with a 5 per cent stake in the industrial holding company.

The surprise entrance of Lord Hanson follows a revised takeover offer last week from Ladbroke Group, the international leisure company, and incessant speculation that Wembley, the diversified leisure company, was planning a bid.

Stock-market activity in Thomson T-Line shares accelerated after the Hanson statement and closed 2p higher at 96p. This compares with Ladbroke's revised offer of 90p a share, which values the company at £185.7m.

Hanson held 1.1m shares before purchasing a further 7.4m on Friday in three parcels at between 92.5p and 94p. In line with its normal practice, Hanson refused to comment yesterday on any aspect of the share purchase.

The announcement of Hanson's stake coincided with speculation that Wassall, the mini-conglomerate under the control of three former Hanson executives, might be involved.

Hanson has an 11 per cent stake in Wassall and has a Hanson director on its board. Mr Philip Turner, a Wassall director, declined to comment, saying he was following the policy he learned at Hanson.

Hanson is understood to have expressed interest in acquiring the Vernons pools business — Thomson T-Line's principal asset — several years ago when it was owned by the Sangster family.

Thomson T-line bought Vernons last year for £90m after an auction against several other companies.

Directors of Thomson T-line are understood to control about 15 per cent of the capital and have close associations with several other major shareholders.

3M posts biggest advance in 12 years

By Anatole Kaletsky in New York

MINNESOTA Mining and Manufacturing (3M), the big US materials and industrial group, reported a 26 per cent increase in earnings last year and in the last quarter, its biggest advance in 12 years.

However, the company's sales growth decelerated slightly in the fourth quarter and gains were stronger in international operations than at home.

3M made $272m or $1.21 a share after tax in the fourth quarter, 25.7 per cent up on the $216m or 95 cents reported a year ago. Sales for the quarter increased by 8.6 per cent to $2.6bn.

Sales at international units were up by 13 per cent, while domestic sales grew by 7 per cent in the quarter.

In 1988 as a whole, 3M earned $1.2bn or $5.09 a share, up 25.7 per cent on the $918m or $4.02 it made in 1987. Annual sales advanced 12.2 per cent to $10.6bn, with international business contributing a volume gain of 13 per cent. Domestic business grew by 9 per cent.

The company said its results were helped slightly by the effects of a weaker dollar. Total currency benefits contributed about $46m or 20 cents a share to the annual profit of $1.2bn.

Strong quarter for Ashland Oil

ASHLAND OIL, the US oil refiner and petroleum products group, took first-quarter profits to new highs and said it remained optimistic the current year would be another good one, Reuter reports.

The group's first-quarter net income to December 31 rose to $95.9m or $1.72 a share, from $80.2m or $1.41 a year earlier.

Ashland said results from operations, exclusive of the $18m or 33 cents gain from the sale of its carbon black operations, set a new high for first-quarter earnings. The operating income rise was led by record first-quarter performances from Ashland Petroleum and Ashland Chemical.

Record profits for Union Carbide and Monsanto

By James Buchan in New York

UNION CARBIDE and Monsanto, two of the largest US chemicals companies, yesterday reported that 1988 was their best year ever, thanks to strong demand for basic chemicals and plastics.

Carbide reported a spectacular fourth quarter, but Monsanto was held back by the cost of its ambitious expansion into pharmaceuticals.

Earnings for the December quarter at Carbide, the third-largest US producer, were $219m or $1.59 a share, an almost 10-fold increase from the $23m or 17 cents of the 1987 fourth quarter.

The big increase was largely due to strong demand and price increases in Carbide's basic ethylene oxide, ethylene glycol and polyethylene businesses.

Sales increased 16 per cent to $2.14bn, with a sharp expansion in gross profit margins from 29.4 per cent of sales to 35.3 per cent.

The performance, although strong, was somewhat flattered by a reduction in the 1987 earnings figure.

Charges for environmental and litigation costs, including the dispute over the 1984 accident at Carbide's Indian subsidiary, reduced 1987 fourth-quarter earnings by $53m or 40 cents.

For the year, earnings were $720m or $5.31, a trebling of the 1987 result of $232m or $1.76. Sales were up 20 per cent at $8.32bn.

In contrast, Monsanto, the fourth-largest producer which has reduced its basic chemicals operation in favour of a push into drugs and biotechnology, said its fourth-quarter earnings were only modestly higher than in 1987, at $45m or 70 cents against $44m and 62 cents.

Sales rose from $1.85bn to $1.88bn.

The main reason for the stagnation was the high cost of research and development at the company's G.D. Searle pharmaceuticals subsidiary. Chemicals income also declined as reported because of the absence of a $14m gain taken in 1987.

Even so, earnings for the year were Monsanto's best ever with an increase of 36 per cent to $591m or $8.27. Sales rose 8.5 per cent to $8.29bn.

Corning Glass climbs to $217m

By Roderick Oram in New York

CORNING Glass Works, a leading maker of ceramic and glass products for fibre optics, catalytic converters and other applications, has reported increased earnings for the fourth quarter and year.

Net profits for the three months ended January 1 were $54.3m or 61 cents a share against $42.6m or 47 cents a year earlier. Revenues were $543m, barely up from $539.5m.

Full-year net was $216.9m or $2.41, against $171.8m or $1.86 on revenues of $2.12bn, compared with $2.08bn.

A number of "unusual items" made the final net $51.6m or 58 cents against $59m or 65 cents in the quarter, and $210.7m or $2.34 compared with $207.5m or $2.25 in the year.

Corning said the main extraordinary items last year included charges of $83.9m to reflect an accounting change for retirees' health-care benefits and of $19.1m to a previously established restructuring reserve.

Extraordinary gains included $58m from the initial public offering of shares in Iwaki Glass in Japan, $6.1m from the formation of Corning Asahi Video Products and $12.1m from the sale of shares in International Clinical Laboratory.

Performance was particularly strong in clinical and life-science testing services, consumer, optical fibre and North American video display tube business. Exports from the US were strong in all business segments.

Safeco reduces California underwriting

By Nick Bunker

SAFECO, the Seattle-based insurer, is cutting back its underwriting of motor insurance risks in California in response to Proposition 103, the radical premium rate cutting measure passed by voters in the state last November.

Mr Bob Dickey, vice president and controller, said Safeco was accepting new motor insurance business from only 200 of the 800 independent agents which it uses to market its products in the state.

"The other 600 don't like it, but we feel like we don't have any choice," Mr Dickey said. Safeco was unwilling to increase its exposure to Californian motor risks in view of the 20 per cent price reductions and strict price regulation required under 103, he said.

Proposition 103's constitutionality is now being reviewed by the state's Supreme Court, which is not expected to rule until at least April.

Mr Dickey was commenting after Safeco produced annual figures showing earnings per share up from $3.75 to $4.1, representing net income up 6 per cent at $268.6m.

California accounted last year for about 25 per cent of Safeco's property/casualty premiums.

Although Safeco does not publish its property/casualty profits state-by-state, Mr Dickey said an internal study last autumn showed that cumulatively over the five years and nine months since January 1983 its Californian motor insurance business had been "only slightly profitable" even after taking investment income into account.

Speculation of bid battle lifts Texas Eastern

By James Buchan in New York and Stephen Butler in London

STOCK in Texas Eastern, the big Houston-based gas pipeline operator, continued to climb yesterday amid speculation on Wall Street and in London that last week's $2.5bn takeover bid from Coastal has set the stage for an industry-wide auction.

As rumours percolated through Wall Street that British Gas of the UK might seek to join the bidding, stock in Texas Eastern rose $1 to $48¼ yesterday morning, after a $1½ rise on Friday. The stock is now trading well above the $42 a share offer unveiled last week by Coastal, Texas Eastern's aggressive cross-town rival.

Yesterday's speculation was fed by Texas Eastern's announcement on Sunday that it would seek, from the rest of the industry, offers superior to Coastal's bid.

Texas Eastern, whose main asset is a strong market position in the growing north-eastern US market for gas, has hired a bevy of investment bankers from such firms as First Boston, Wasserstein Perella and Dillon Read in the US and James Capel in the UK to hunt for alternatives and begin talks with third parties.

British Gas had no comment yesterday. Bankers and analysts in London and New York believe, however, that the big UK energy group would, at a minimum, be looking carefully at Texas Eastern's shares of North Sea producing properties, which could be worth more than $1bn.

British Gas has recently made big purchases of North Sea assets, and its interest in acquiring more oil properties was confirmed by an abortive raid last year on the London & Scottish Marine Oil Company (Lasmo), the UK independent.

Analysts doubt whether British Gas wants to enter the US gas-transmission business, which British Gas has previously said was too highly regulated. Regulation is, none the less, easing in the US and expansion into overseas gas-transmission would be consistent with British Gas's stated strategy.

Texas Eastern's search for a higher price follows a brief and unsuccessful meeting on Sunday between senior Coastal executives led by Mr James Paul, the company's president, and directors and executives of Texas Eastern.

Both sides said the meeting was a disappointment, with Texas Eastern complaining that Coastal should have raised its offer.

In an attempt to buy time while its investment bankers seek a better offer, Texas Eastern asked on Friday a court in Delaware, its state of incorporation, to confirm the validity of a defensive company by-law or poison pill.

Mr Dennis Hendrix, chief executive of Texas Eastern, said the pill would allow the company "to pursue the best deal for our shareholders."

Holly Farms rejects Tyson for ConAgra

By Deborah Hargreaves in Chicago

HOLLY FARMS, the US chicken processor, has rejected the latest offer from Tyson Foods, the nation's largest poultry producer, in favour of a lower-priced stock swap deal with ConAgra, the big US flour miller.

Holly has said it will convene a shareholder meeting at the end of February for holders to vote on the proposed merger with ConAgra, to which Holly feels legally bound.

At $63.50 a share, or $1.15bn, Tyson's latest offer for the elusive Holly is significantly higher than ConAgra's $59.25 per share stock swap agreement. But since the merger pact contains an asset lock-up provision, granting ConAgra an option to buy almost half of Holly's assets if the deal falls through, Holly feels bound to the merger.

A Delaware court issued a preliminary injunction against the lock-up provision last month, and Holly has asked ConAgra to free it from the obligation. But ConAgra seems determined to hold Holly to the deal and has since filed a counter-claim seeking to enforce Holly's contractual obligation to the lock-up provision. This could force a lengthy trial on the issue.

Mr Napoleon Overton, an analyst at Morgan Keegan in Memphis, says: "It appears that, just maybe, the Holly board of directors has gotten itself into a bind."

Mr Overton believes shareholders will vote against the ConAgra merger although the meeting could force ConAgra to raise its offer – a move it has so far resisted.

Canadian union leader banks on a fund with a difference

David Owen on the robust style of Louis Laberge

Bankers are not Mr Louis Laberge's favourite people. "Banks," he says, "have closed more workshops than we ever imagined closing with our strikes."

But the portly 64-year-old leader of the Québec Federation of Labour (QFL) – the union that represents nearly half of predominantly French-speaking Québec's organised labour force – has reason to be grateful to these objects of his disapprobation for at least one small service. They helped to inspire the initiative for which he may be best remembered when he finally decides to call it a day.

Mr Laberge's brainchild – the QFL's so-called Solidarity Fund – is a union fund with a difference. It was established as a means of providing money to those who need it "at lower rates of interest than the damn banks are charging."

The key to its success is tax incentives.

Participants are granted tax credits of 20 per cent of contributions – to a maximum of C$3,500 a year – by both the federal and provincial governments.

The fund is "the first time that ordinary workers on low wages have had the opportunity to benefit from tax deductions," according to Mr Laberge. The voluntary scheme, he adds, drawing on an ever-present cigarette, "gives them at least a small notion of what we mean by venture capital."

In its five-year existence, the fund has invested close to C$50m (US$42.4m) in more than 50 enterprises, ranging

Louis Laberge: is there a time for a fish to stop swimming?

from biotechnology concerns to furniture outlets.

"We have preserved and/or created some 12,000 jobs," boasts Mr Laberge. It has also assembled a sizeable portfolio of passive investments, with assets now totalling about C$205m.

An aircraft mechanic by trade, Mr Laberge is the longest-serving president of any Canadian labour federation, having been re-elected with ease at every QFL congress since 1964.

Having joined Canadair at 20, he became a shop steward two years later and business officer three years after that.

"My old man was very active in the labour movement," he points out in an attempt to explain this precociousness. "I became convinced at a very early age that, yes, there was something that the labour movement could do for workers."

Under his leadership, which began when the union was losing ground to the rival Confédération des Syndicats Nationaux, the QFL has prospered. It now has 376,000 members including, as Mr Laberge is quick to point out, a large non-French-speaking contingent.

An entertaining raconteur with a dry and ready wit, Mr Laberge is a strong proponent of Québec's right to self-determination.

"I don't think we should build a big fence around us and live alone," he remarks, "but I do believe that Québec has to have all the powers that Québec needs in order to survive as a different people from the rest of the North American continent.

"We must have all of the tools that we need to protect our language and I believe that workers in Québec have got the right to demand that they be able to earn a living in their own language."

The QFL has traditionally supported the separatist Parti Québecois, partly, according to Mr Laberge, for the party's strong social democratic heritage.

After fully 40 years as a full-time union official, Mr Laberge's days as the undisputed figurehead of the Québec labour movement are, presumably, numbered.

He rejects any suggestion of retirement, however, with a rhetorical flourish: "Is there a particular age for a fish to stop swimming," he asks, "or for a bird to stop flying?"

Tax shift limits Whirlpool fall

WHIRLPOOL, the US domestic appliance manufacturer, suffered a decline in fourth-quarter and year-end profits. The group blamed higher material costs not recovered through increased pricing, higher levels of interest expenses and weaker results from its Brazilian affiliates.

The group, which last year concluded a joint-venture deal to buy a 53 per cent stake in the appliance business of Philips of the Netherlands, said the effect of these negative items was partly offset by a reduction in the federal tax rate.

Whirlpool reported quarterly operating earnings of $40.9m or 59 cents a share against $41.9m or 61 cents a year ago. Earnings exclude a loss from discontinued operations of $52.9m or 76 cents compared with a loss of $1.5m or 2 cents the previous year. Sales rose to $994m from $958m.

At year-end, the operating net fell to $161.3m or $2.33 from $186.6m or $2.61 the previous year on sales which rose to $4.31bn against $4.11bn.

NEWS IN BRIEF

RJR NABISCO, the food and tobacco group, is to divest two small holdings in South Africa, Kohlberg Kravis Roberts, the US buy-out specialist, said. KKR recently won a $25bn takeover battle for RJR.

The holdings are Royal Beechnut, a confectioner, and South African Preserving, a canned fruit producer. The South African holdings account for less than 1 per cent of RJR's total annual sales.

Earlier this week, the Treasurer of Michigan State said it would withhold its $110m pension fund investment in KKR's buy-out of RJR because of holdings in South Africa. A Michigan law which took effect this year prohibits state pension funds investing in companies with ties to South Africa.

The Treasurer has said he will review his decision to withhold funds following the latest move.

UNITED TECHNOLOGIES, the US aerospace group, reported a fall in fourth-quarter earnings but profits for the full year were sharply ahead.

Net income in the quarter slipped to $150.6m or $1.16 a share from $172.5m or $1.32 last time.

But at the year-end net income rose to $659.1m or $5.05 against $591.7m or $4.52. Revenues climbed to $18.5bn from $17.4bn.

The net income for the latest year includes $98.8m in gains from the sale of finance subsidiaries, a $95.1m gain on the sale of the company's Essex unit and one of $41.4m on the sale of its share of a German semiconductor joint venture.

The latest result includes a restructuring charge of $148.8m.

SCHLUMBERGER, the leading US oil services group, is to sell its defence systems unit, which last year had revenues of $320m.

The group said it was selling the unit – which takes in advanced technology in electro-optical sensors and communications and control systems for aerospace and ground weapons systems – to concentrate on its principal product lines.

NEW ISSUE

This announcement appears as a matter of record only.

December, 1988

British Steel plc

European Offering of 123,000,000 Ordinary Shares of 50p each

SBCI Swiss Bank Corporation Investment banking

Amsterdam-Rotterdam Bank N.V.
Banque Paribas Capital Markets Limited
Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft
Mediobanca-Banca di Credito Finanziario S.p.A.
Union Bank of Switzerland (Securities) Limited

for the Federal Republic of Germany

Deutsche Bank Capital Markets Limited
Commerzbank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
BHF-BANK
DG BANK Deutsche Genossenschaftsbank
Deutsche Girozentrale-Deutsche Kommunalbank-
Schweizerischer Bankverein (Deutschland) AG Investment banking
Vereins- und Westbank Aktiengesellschaft
Westdeutsche Landesbank Girozentrale

for France

Banque Paribas Capital Markets Limited

Banque Indosuez
Banque Nationale de Paris
Crédit Commercial de France
CL-Alexanders Laing & Cruickshank (Crédit Lyonnais Group)
Société Générale
Banque de Gestion Privée - SIB
Banque Stern
Rothschild & Cie. Banque

for Italy

Mediobanca-Banca di Credito Finanziario S.p.A.

Banca Commerciale Italiana
Banco di Roma
Credito Italiano
Istituto Bancario San Paolo di Torino
Banca Popolare di Milano
Credito Romagnolo
Nuovo Banco Ambrosiano
Banca Nazionale del Lavoro
Banca Nazionale dell'Agricoltura
CARIPLO - Cassa di Risparmio delle Provincie Lombarde

for The Netherlands

Amsterdam-Rotterdam Bank N.V.

Pierson, Heldring & Pierson N.V.
Rabobank Nederland
SBCI Swiss Bank Corporation Investment banking
Nederlandsche Middenstandsbank nv

for Switzerland and Liechtenstein

SBCI Swiss Bank Corporation Investment banking
Credit Suisse First Boston Limited
Union Bank of Switzerland (Securities) Limited

Swiss Volksbank
Julius Baer International Limited
Banca del Gottardo
Compagnie de Banque et d'Investissements, CBI
HandelsBank NatWest (Overseas) Limited
Leu Securities Limited
Lombard Odier International Underwriters S.A.
Pictet International Ltd
BSI-Banca della Svizzera Italiana
Bank J. Vontobel & Co. AG
Hentsch et Cie
Rothschild Bank AG
Sarasin Investment Management Limited
Swiss Cantobank Securities Limited
S.G. Warburg Soditic (Jersey) Ltd.

for Other European Countries

SBCI Swiss Bank Corporation Investment banking

Creditanstalt-Bankverein
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Skandinaviska Enskilda Limited
Generale Bank
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Banco Hispano Americano, S.A.

Joint Adviser to the Department of Trade and Industry and British Steel plc and Co-ordinator of the European Offering

SBCI Swiss Bank Corporation Investment banking

Swiss Bank Corporation
Investment Banking
a division of Swiss Bank Corporation

DSM routs for kitchen enthusiasts and ski lovers

Peter Marsh on a Dutch group's confidence in chemicals used in domestic worktops and sportswear

The future fortunes of DSM, the state-controlled Dutch chemicals company whose partial privatisation takes a step forward today, will be closely linked to the numbers of people who buy fitted kitchens and who go on skiing holidays.

DSM is the Netherlands' second-biggest chemicals group with annual sales for last year estimated at about Fl 9.9bn ($4.8bn). Some 70 per cent of its sales are of high-volume, relatively low-cost commodity chemicals and it has a particularly strong position in the world market for two of these: melamine, a plastic widely used in kitchen worktops, and caprolactam, a material used to make high-value grades of nylon for ski-wear.

Mr Hans van Liemt, DSM's chairman, is generally positive about the prospects for melamine and caprolactam together with the other commodity materials DSM sells.

He dislikes the way chemicals industry observers often categorise commodity materials as unexciting products with a poor sales potential. "Sometimes I get the feeling commodity chemicals are associated with a bad smell," complains Mr van Liemt, a keen-eyed lawyer who has spent 30 years at DSM.

Whether Mr van Liemt is correct in his views will be of interest not just to managers within DSM, which was formed 86 years ago as Dutch State Mines, but to its new shareholders and industry observers generally.

The Dutch Government is selling one-third of its 100 per cent stake in the company in a move that is expected to raise about Fl 1.4bn. Pricing of the issue, which will mark the biggest-ever share offering in the Netherlands, will be announced today at a price of between Fl 105 and Fl 118 per share.

DSM – which is based at Heerlen, just over the border from Germany's industrial Ruhr district – was originally solely an operator of coal mines, an area it abandoned during the 1960s. Since then it has been moving strongly into chemicals. The company, which in terms of the global chemicals industry is only a middle-rank producer, is none the less given general credit for its rate of progress in its new field.

As a result of its short history in chemicals, DSM has some relatively new and highly efficient manufacturing plants – particularly two big facilities near Heerlen, which between them turn out nearly 1m tonnes a year of ethylene, a vital oil-derived feedstock for many synthetic substances.

Despite the generally poor image of commodity materials, in recent years strong sales in this field have been mainly responsible for the upturn in profits for many big chemicals groups, DSM included. The Dutch company is expected to show a pre-tax profit for last year of about Fl 1.1bn, some 60 per cent up on 1987.

Mr van Liemt is reasonably confident that, despite gloomy forecasts from some commentators that the industry may slide into recession during the early 1990s, DSM will come through relatively unscathed. His optimism is shared by onlookers such as Mr John Phipps, an analyst at Tecnon, a London-based chemicals consultancy. Mr Phipps says DSM "is moving in the right direction and looks pretty solid."

Some of the bullishness is based on DSM's good position in a few key commodities, including melamine and caprolactam. DSM claims to be the world leader in the £300m ($533m)-a-year world market for melamine, a hard plastic made from ammonia.

DSM says it has about a fifth of the market, with close rivals including BASF of West Germany, Nissan Chemical of Japan and American Cyanamid. All these companies have benefited from the strong demand over the past few years for melamine, which, besides featuring in kitchens, is also used as a fire-retardant and as an additive for resins.

The Dutch company has a 15 to 20 per cent share of world annual sales of caprolactam, which add up to about £1.5bn. Caprolactam is an important raw material used in nylon manufacturing. The market for caprolactam – other big suppliers of which include BASF, Enimont of Italy and Allied-Signal of the US – has been increasing at a healthy rate, largely thanks to expanding applications for nylon in specialised sportswear and engineering plastics.

Besides these two materials, DSM sells a range of other commodity products, including high-volume plastics such as polyethylene and polypropylene, fertilisers and synthetic rubbers.

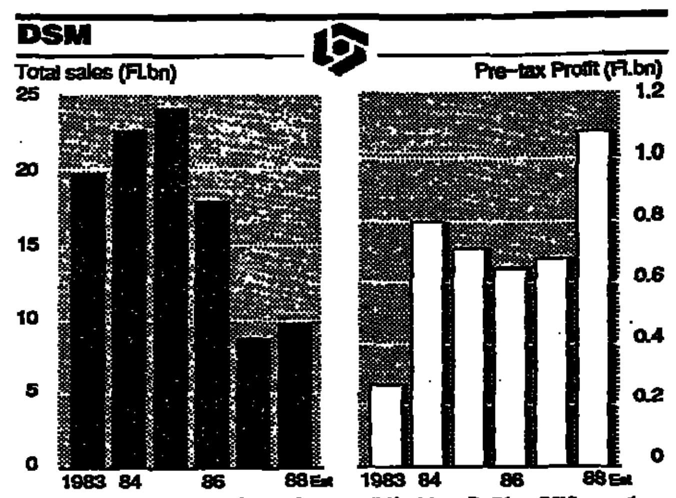
DSM has, in recent years – in common with many other bulk-chemicals producers – tried to move into other more specialised areas of chemicals thought to have better long-term growth prospects. Mr van Liemt wants these specialised materials – which include resins, intermediate chemicals for pharmaceuticals and new, strong industrial fibres – to account for 40 per cent of sales by the early 1990s as against 30 per cent today.

The main question-mark over DSM concerns its heavy dependence on Europe, which accounts for 85 per cent of the company's production and 85 per cent of sales. However, the company has been flexing its muscles in recent years in the US and Japan, either by setting up plants or through sales agreements with other companies.

DSM has, in particular, commercial alliances with a number of Japanese chemicals companies including Toyobo, Tosoh, Idemitu and Mitsubishi, in which the partners are swopping technologies or giving each other access to markets.

Mr van Liemt says he is not too worried about DSM's relatively poor showing in countries beyond Europe, although he does admit he has a list of US companies he would like to buy. As for how his job will be altered as a result of having private shareholders, Mr van Liemt concedes that it may well be useful to have the chance of issuing new shares to finance overseas purchases.

"But as for the management issues we have always run DSM very much as a private company with the state at arm's length. So from this point of view nothing will change," he says.



1983/6 figures incl. big element of sales of energy activities later split off from DSM's operation

Nadir buys Istanbul daily

By Jim Bodgener in Ankara

MR ASIL NADIR, the Turkish-Cypriot entrepreneur, has further consolidated his dominant position in the Turkish media with the purchase of Gunes, the Istanbul daily, at the weekend.

No purchase price has been revealed for the transaction, which was made in Mr Nadir's name rather than that of Polly Peck International, his UK operation.

The deal comes only a few days after Mr Nadir announced the purchase of the Gelisim chain of publications, including Nokta, the popular weekly.

Mr Nadir first ventured into the Turkish press in a big way by buying the Veb Ofset series of publications last year, which includes Gunaydin, the Istanbul daily. The three purchases effectively make him the biggest publishing proprietor in Turkey.

Both Gunes and Gunaydin are popular broadsheets with a mix of news, comment and scandal. Nokta is a radical, chic publication which appeals to younger readers.

Gunaydin's previously vociferous criticism of the Government has grown noticeably less strident since the Veb Ofset transaction.

NEWS IN BRIEF

Ex-Bank director to join Safra

● MR PETER COOKE, retired associate director of the Bank of England, has agreed to join the board of directors of Safra Republic Holdings, the private banking group announced yesterday.

Mr Cooke is expected to be elected to the board of Safra at its annual meeting of shareholders in May. He will also join Safra's audit committee.

He was a former chairman of the Group of Ten Committee on Banking Regulations and Supervisory Practices, commonly known as the Cooke Committee, which meets at the Bank for International Settlements in Basle.

After his retirement, Mr Cooke became chairman of the world regulatory advisory group of Price Waterhouse, the accounting firm.

Safra Republic Holdings has assets of $4bn and stockholders' equity of $940m.

● SPAR HANDELS-AG and Spar-Gruppe Südwest, the West German grocery wholesalers, plan to merge to form a new wholesale group, Deutsche Spar, which will be Germany's seventh-largest grocery wholesaler, writes our Financial Staff.

DG Bank (DGB) said the new group would act as wholesaler for about 6,000 Spar shops. Its 1989 turnover is seen at DM8bn ($4.3bn).

DGB said Spar hoped steps needed for the merger would be completed in the first half of this year. It added that the move would improve Spar's competitive position.

● BUEHRMANN-Tetterode, the Dutch paper, packaging and publishing group, said it was close to acquiring Van der Windt Groep, a Dutch packaging producer and distributor, for an unspecified amount.

Van der Windt, which operates in north-west Europe, has annual sales of about Fl 300m ($144m) and more than 600 employees. Bührmann's board said that Van der Windt would complement its existing packaging interests.

Bührmann-Tetterode shares ended 10 cents lower at Fl 62.20 on the Amsterdam stock exchange yesterday.

● BANCO SANTANDER, the Spanish bank, and Cariplo, the big Italian savings bank, finally reached agreement yesterday on a complicated deal whereby Santander is to take a 30 per cent stake in Istituto Bancario Italiano (IBI), a Cariplo affiliate, writes Peter Bruce in Madrid.

IBI, in turn, is to take an initial 14.99 per cent share in Santander's Catalan subsidiary, Banco Jover, with an option to increase this to 30 per cent when the Spanish authorities grant permission.

BNA announces rights issue

By Alan Friedman in Milan

BNA, Italy's largest privately-owned bank, is to raise L400bn ($296m) by a two-tranche rights issue on the Milan bourse.

The publicly-quoted BNA, which for months has been described in Italian financial circles as seriously undercapitalised, is controlled by Mr Giovanni Auletta Armenise, whose family holding vehicle, Bonifiche Siele, owns 42 per cent of the bank.

Yesterday a spokesman for the Rome-based BNA strongly denied that the bank was undercapitalised. "We are a rich bank," he said, declining to comment on reports that the Bank of Italy has put pressure on Mr Auletta to improve BNA's capital ratio.

The BNA spokesman also refused to disclose the bank's capital ratio, claiming that "this is secret information which we are not obliged to give to the public."

BNA had total deposits of L13,000bn at the end of last year, against L8,600bn of loans to its ordinary clients. The bank, which employs 7,500 people, has 230 branches in Italy.

Mr Auletta said yesterday that the first L200bn of the rights issue would take place this year, while the remaining funds would be raised by 1991.

The BNA chief denied reports that Credito Italiano, a state-owned commercial bank, was planning to buy a stake in BNA.

Federconsorzi, the agricultural co-operative movement which is BNA's second-largest shareholder with a 15.1 per cent stake, yesterday implied that it might not subscribe its portion of the rights issue.

● Budd Plastics, a unit of West Germany's Thyssen, said it had agreed to provide sheet metal compound technology for the next eight years to Fiat's Iveco truck manufacturing unit.

Budd said that, under the agreement, it would assist Iveco in establishing operations to produce exterior body panels and other components for future truck models.

Rustenburg increases revenue by 25%

By Jim Jones in Johannesburg

HIGHER platinum and nickel prices lifted revenue at Rustenburg Platinum, South Africa's largest platinum producer, by nearly a quarter during the six months ended December, to reach R1.41bn ($590.7m) from R1.13bn. Pre-tax profits increased by a slightly greater margin to R833m from R495m.

Rustenburg, which does not disclose metal production details, operates several mines in the Transvaal and the black "homelands" of Bophuthatswana and Lebowa. Construction of a new platinum refinery in Bophuthatswana, which will replace refineries in Britain and South Africa, has fallen behind schedule. However, it will be commissioned during the current half-year and the other refineries will close shortly afterwards.

In Lebowa the company is committed to opening a new mine on the Maandagshoek farm, but has yet to start developing the project. At present Lebowa Platinum, Rustenburg's operating subsidiary in the homeland, is expanding its Atok mine as part of an agreement with the homeland government.

Rustenburg's interim operating profit before tax and provisions for renewals and replacement of assets rose to R693m from R547m. Net earnings rose to 190.7 cents a share from 158 cents and the interim dividend has been raised to 115 cents from 100 cents.

Last year's net earnings were 304.5 cents and a total dividend of 230 cents was paid.

INTERNATIONAL COMPANIES AND FINANCE

NZ acts on Equiticorp collapse

By Dai Hayward in Wellington

THE NEW Zealand Government has frozen the local assets of 94 companies under the control of Equiticorp International, pre-empting plans disclosed on Friday by the troubled investment group to call in provisional liquidators this week.

Four Government-appointed statutory receivers have now been charged with carrying out an orderly sale of assets in what is New Zealand's biggest ever corporate collapse.

It will take some weeks for the receivers to determine the value of these, but Mr Colin Patterson, chairman of the Securities Commission, which supported the Government move, said yesterday that the New Zealand assets were probably greater than domestic liabilities.

Mr Geoffrey Palmer, Justice Minister, revealed that Equiticorp's failure was precipitated by the refusal of the group's bankers, at a meeting in Australia last week, to extend further credit.

He also strongly criticised directors of companies whose decisions lead to problems such as those now experienced by Equiticorp. "I have no doubt when you look at the message we are getting from events such as the collapse of Rada [an earlier investment company failure] the public mood is for a great deal more protection for investors and shareholders than the existing law gives," he said.

Geoffrey Palmer: more protection for investors

"The conduct of companies in this area is the result of decisions taken by directors and they are responsible for how the company [Equiticorp] got into the situation it is in."

The group's assets are said to total in the region of NZ$2.8bn (US$1.77bn) and debts NZ$1.6bn. In the 17 months to last August Equiticorp made net losses of NZ$26.9m after writing down investments by NZ$226m.

The Government appointed the receivers because it took the view that Equiticorp's announcement made on Friday in Australia that it was appointing a provisional liquidator did not apply under New Zealand law. Mr Hawkins moved control of regional operations to Sydney last May while reincorporating in the UK.

In New Zealand, only a court can appoint a provisional liquidator. This had not happened and would take some time to occur, said Mr Palmer. The appointment of statutory receivers by the Government would protect creditors and shareholders "and indeed New Zealand generally." All the companies affected could continue trading.

Among the debts are NZ$25m owed to Fisher and Paykel, a 30 per cent owned white goods maker, and NZ$100m to the Australian-based Elders Resources NZFP.

New Zealand companies in the Equiticorp group cover a wide range of trading activities, including agricultural products, the Equiticorp Finance merchant bank, several other finance companies and investment groups, tourism and property development.

One of the smallest operations, a provincial stockbroker called Ararimu Partners, yesterday ceased trading and was declared by the Stock Exchange to be in default.

Fisher and Paykel is excluded from the Government receivership order, as is the 80 per cent owned NZ Steel. Mr Palmer said Fisher and Paykel was separately managed and the Equiticorp collapse would not affect its viability. NZ Steel – the privatised steelmaker which Mr Allan Hawkins, the Equiticorp chairman, has been trying to sell – noted on Friday that its finances were separate from those of its parent.

The move also has no direct effect on Equiticorp's 61 per cent stakes in GPG and Guinness Mahon Holdings, the British financial services companies. The holdings are to revert to a group of secured bank creditors.

Meanwhile BTR Nylex, the 62 per cent Australian subsidiary of the UK's BTR industrial group, said yesterday that its offer for Feltrax International, a quoted manufacturing subsidiary of Equiticorp, had closed on Friday with acceptances totalling 99.4 per cent. It would proceed compulsorily to acquire the remainder.

Although yesterday was a public holiday in New Zealand, the statutory receivers, headed by Mr Fred Watson of accountants Peat Marwick, wasted no time moving into the boardroom of Equiticorp

The Government also intends to appoint an advisory committee to assist the receivers because of what Mr Palmer described as "the competing interests involved."

HK group 'undaunted by Bear Stearns'

By John Elliott in Hong Kong

JARDINE Strategic Holdings of Hong Kong is undaunted by a challenge to a US$6.4m partial settlement reached in principle last week on $175m to $200m lawsuits relating to its aborted purchase of a 20 per cent stake in Bear Stearns, the Wall Street brokerage.

This follows a Bear Stearns announcement on Friday that it was opposing a proposed out-of-court settlement for nearly half the total claims reached in New York the previous night by Jardine with four representatives of a public shareholders' class action.

Mr Greg Terry, Jardine Strategic's senior in-house lawyer, said in Hong Kong: "Our proposed agreement will still go forward to a judge to be certified and we still expect the settlement to go through."

The class action which led to the proposed settlement was brought against Jardine by five representatives of public shareholders. Four have backed the proposal. However the fifth, a former Bear Stearns partner, is believed to have said at the time of the proposal that he was neutral. There have been reports that he has come out in opposition.

Following the October 1987 market crash Jardine Strategic, the main investment arm of Hong Kong's Jardine Matheson trading group, cancelled a deal made the previous month to buy into Bear Stearns.

Chhabria lays siege to Gammon India

By Gita Piramal in Bombay

GAMMON INDIA, a Bombay-based civil engineer, is under siege from Mr M.R. Chhabria, a Dubai-based businessman of Indian origin, who has reportedly bought nearly 30 per cent of the company and is seeking a seat on the board.

At a meeting on Sunday, however, directors of Gammon decided not to register the shares. They plan to refer the case to the Company Law Board (CLB).

Although this temporarily thwarts Mr Chhabria, the fight for the Rs103m ($6.7m) turnover company – which built the Gateway of India, a notable monument of the British Raj – may still be tilted in his favour.

In the last five years, Mr Chhabria has created India's eighth largest business group, almost entirely through takeovers. Indian interests of the Rs11.1bn Chhabria group include tyres, liquor, electronics, engineering and paint.

Moreover, management of Gammon India – headed by Mr J.N. Bates, chairman, and Dr. T.N. Subba Rao, managing director, has encountered difficulties in mounting its defence. When a Gammon shareholder requested a list of the company's shareholders the Gammon management correctly interpreted this request as a Chhabria ploy to institute a proxy war, but in delaying handing over the list left itself open to a lawsuit alleging discrimination.

The dispute has led to an altercation at the Gammon offices when a shareholder's representative came to submit proposals for the appointment of directors at the annual meeting to be held on January 31.

Most of the proposed directors are former managers of Shaw Wallace, a company controlled by Mr Chhabria. Mr Bates said of the referral to the CLB: "Just as he has tied us up in the courts, this should slow down Mr Chhabria for some time." The price of Gammon stock has shot up from Rs29 in March to around Rs180.

Business dances a rumba in Brazil

John Barham on a surprising year of big corporate profits

BRAZILIAN businessmen are celebrating one of their most profitable years ever. Despite intense uncertainty, with inflation up by a record 934 per cent in 1988 and economic growth a negligible 0.04 per cent, private company profits look set to better the average 24 per cent return on net worth in 1987, itself a difficult year for Brazil.

The results are all the more surprising since executives had been complaining all year about weak political leadership, ineffectual economic policies, the growing burden of government debt, rising taxes and the new constitution introduced in October. But Mr Mailson da Nobrega, the Finance Minister, told a business gathering last month: "You have nothing to complain about."

Analysts give three reasons for the companies' big profits: vigorous exports, suspension of price controls for most sectors and high interest rates.

Brazilian companies became net investors on financial markets soon after the onset of the debt crisis in 1982. And, to some extent, accelerating inflation actually helped to increase profitability, seriously affected by price controls in 1987.

Consumer goods manufacturers could fatten their profit margins all the more easily because of the confusion created by rapidly changing prices. Official figures naturally exclude the burgeoning underground economy, which accounts for between 30 per cent and 40 per cent of industrial output.

Only the largest multinationals have announced their preliminary profits. Autolatina, the company which controls Ford and Volkswagen in Brazil, should have a net profit of $250m to $300m, after losing $218m in 1987. Royal Dutch Shell's estimated 1988 net profit rose to $13m in 1988, a 150 per cent increase in dollar terms over 1987. Rhodia, the local subsidiary of France's Rhône Poulenc, should make $98m, almost twice its 1987 $53m profit.

Other indicators show that private industry is in good shape. A survey of 120 major companies by Arthur Andersen, the international accounting firm, found that sales rose 50 per cent in real terms and that all sectors were profitable in the nine months to October 1.

The engineering industry earned a 3 per cent profit over sales, compared with a 28 per cent loss in 1987. Computers had a 2 per cent return on sales, compared with a 15 per cent loss one year ago. The steel industry's profit was up by 1 per cent, after a 6 per cent loss in 1987. Bankruptcies have fallen 7 per cent and company requests for court protection from their creditors – a local version of the US Chapter 11 proceedings – dropped 64 per cent.

However, the outlook for the future is, as ever in Brazil, unpredictable. The country is in the same state of permanent uncertainty as it was a year earlier. Businessmen think the new anti-inflation Summer Plan may cause a recession. More miracle cures and muddling through will simply stoke inflation. "Any reduction in foreign debt service payments," one businessman said, "will be frittered away on buying votes at the November election and not on making overdue investments."

There is little chance that improving profitability will spark a resumption in economic growth. Companies are shedding labour because they are fearful of the future. Employment in São Paulo, Brazil's industrial heartland, fell 2 per cent in 1988. Production fell 3.3 per cent in the year to November.

Furthermore, many of last year's successes were won on international markets, but growth in world demand is likely to cool this year. Nonetheless, some observers say companies could be reactivating investments, with multinationals leading the field. Autolatina has said it will invest $1.5bn over three years, while Rhodia is to beef up its $70m plans to $120m.

Mr Stephen Charles Kanitz, an accounting professor at the University of São Paulo, found that all 62 leading companies he surveyed are reinvesting almost 100 per cent of their profits. Arthur Andersen found that indebtedness is beginning to creep up, a sign of rising investments. The car, components and engineering industries have increased their investments the most.

Surveys have also detected a change in business attitudes. Brazilians are notorious for their tactical, speculative, short-term outlook. But Mr Kanitz wrote in an essay published by the Folha de São Paulo newspaper that the most successful of the 62 companies he examined have begun adopting a more mature, entrepreneurial, strategic mentality.

Mr Umberto Aprile, an executive at Unilever's Gessy Lever subsidiary, told Mr Kanitz that "our philosophy is (to do) a lot of long-term planning. We can't keep changing our strategy because of a short-lived crisis."

If Mr Kanitz is right, this new trend is an important step forwards for Brazil. Its businessmen may at last be beginning to grow up.

Investcorp advances net profits 60.4%

By Gordon Cramb

INVESTCORP, the Bahrain-based investment bank which last year gained effective control of Gucci, the Italian luxury goods house, lifted 1988 net profits 60.4 per cent to $46.2m.

The seven-year-old company, which has gained prominence by linking with managements to take medium-term stakes in US and European brand-name manufacturers, also stepped up disposals during the year as earlier holdings became ready for resale.

Mr Nemir Kirdar, Investcorp president, yesterday attributed the result in part to "value-creating investment management during the client holding period and timely divestiture."

Among the businesses sold were Mueller, a US producer of flow controls, which raised $366m, and two power boat makers – Bertram-Trojan of Florida and Cantieri Riva in Italy – with combined annual sales approaching $150m.

According to Mr Michael Merritt, a London-based director, "we have been able to complete the cycle in quite a substantive way." The rise in earnings was mostly fee-driven, he added, while Investcorp's funds under management for Gulf-based clients more than doubled during 1988 to some $225m from $100m.

Total assets grew by more than a third to $745.3m from $551.6m. Following a stock buy-back programme the management now owns a quarter of the company, up from 15 per cent a year ago. The remainder is spread among more than 12,000 Gulf investors.

Mr Merritt said the creation of a holding structure was being considered for Gucci.

Chaumet, the bankrupt Paris jeweller for which Investcorp led a court-endorsed rescue in 1987, had attracted prospective purchasers but no decision to sell it had been taken.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 23, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	56.9627	30.4447	43.7706
Albania (Lek)	10.1268	5.7100	3.1063	4.4660
Algeria (Dinar)	11.5002	6.4095	3.4697	5.0100
[illegible]				

Special Drawing Rights January 20 1989 United Kingdom 0.746549 United States 1.31654 Germany West 2.43428 Japan 169.044
European Currency Unit Rates January 23 1989 United Kingdom 0.638647 United States 1.12977 Germany West 2.08589 Japan 144.899

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (u) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, January 23, 1989. (a) January 1989 Intl devalued by approx. 29%.

INTERNATIONAL CAPITAL MARKETS

Canon shoots for $1bn in jumbo warrants issue

By Andrew Freeman

A *JUMBO-SIZED* equity warrant deal for Canon, the Japanese manufacturer of cameras and copiers, attracted most attention yesterday. New issue activity was otherwise slow, with dealers suggesting that market uncertainties were making borrowers unwilling to commit themselves.

The $1bn Canon issue is divided into two fungible tranches, $600m in Europe and $400m in Asia. *Lead manager* of the European tranche, Yamaichi Europe, said that the bonds had been well received and were quoted at around 105 bid, a healthy premium to the par issue price.

The deal, which carries the standard 4½ per cent indicated coupon, matures in February 1993, with final terms set on January 30. Some co-managers said the premium was encouraging European investors to take profits: "On a quiet day like today, there isn't much else to do," said one official.

With other large equity warrant issues sheduled for this week, including $1bn issues for Kobe Steel and Mitsui, the market's quiet tone inevitably led to speculation that there might be too much paper around. However, the Nikkei index in Tokyo is trading well above the 31,000 mark and Japanese demand is expected to remain strong.

Terms were set on the recent $250m issue for Mitsubishi Oil, brought to market by Nikko

INTERNATIONAL BONDS

Securities. The coupon was cut by ⅜ to 4⅛ per cent, emphasising the steady demand for the paper.

Elsewhere, Albert Fisher Finance NV tapped the Eurosterling convertible sector with a £35m issue guaranteed by its parent company, Albert Fisher. Final terms will be set on or before January 27 depending on market conditions.

The paper carries an indicated coupon of 5½-6 per cent and matures on June 15 2004. There are investor put options into equivalent government five-year securities in June 1994 and June 1999.

According to the lead manager, J. Henry Schroder Wagg, the bonds met good demand in Europe, where the company's operations are well known. Part of the issue will be used to finance acquisitions.

In Switzerland yesterday, a SFr100m issue for the Asian Development Bank was very well received. The 10-year paper is non-callable and carries a coupon of 5¼ per cent. *Priced at a discount of 99½*, it was quoted at launch by the lead manager, Credit Suisse, at less 1¼ bid.

Strong interest emerged, reflecting the market's search for a new benchmark issue for top class borrowers. By the close of trading it was quoted at less ¼ bid, well within the *selling* concession.

In West Germany, where markets have been quiet during a lull in investor interest, the primary market is still over-suplied with new issues.

Norddeutsche Landesbank Luxembourg came to the market with a DM100m five-year issue which will be placed within the parent bank's own retail network and is not expected to trade widely. The parent bank was also lead manager *on* the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Canon Inc.(c)♦	600	(4½)	100	1993	2¼/1½	Yamaichi Int.(Europe)
Canon Inc.(c)♦	400	(4½)	100	1993	2¼/1½	Singapore Nomura
Final terms fixed on:						
Mitsubishi Oil Co.(a)♦◆	250	4⅛	100	1993	2¼/1½	Nikko Secs (Europe)
D-MARKS						
NordLB Luxembourg◆	100	6	101¼	1994	n/a	Norddeutsche Landesbank
SWISS FRANCS						
Asian Development Bank◆	100	5¼	99½	1999	n/a	Credit Suisse
LIRE						
EIB(d)◆	200bn	11	101¼	1996	1⅞/1⅛	Banco di Napoli
STERLING						
Albert Fisher Finance(b)	35	(5½-6)	100	2004	2½/1½	J.H. Schroder Wagg

♦With equity warrants. ◆Final terms. a) Coupon indicated at 4½%. b) Convertible preference shares. c) Issues fungible. d) Call from 1994 at 101 declining by ½% in 1995.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	†93½	94	0	0	9.95
A/S Eksportfinans 7¼ 92	150	†93¼	93¾	-0⅛	0	9.86
B.F.C.E. 7 92	150	†92⅝	93⅛	0	+0⅛	9.68
Brit. Tel. Fin. 9⅜ 96	250	†98½	99	0	+0⅛	9.57
Canada 9 96	1000	†98¾	98⅞	0	+0⅜	9.27
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅛ 92	55	101⅛	102	-0⅛	-0¼	4.83
Belgium 4⅝ 94	45	98⅛	98⅝	+0⅛	0	5.00
Canada 4⅞ 92	80	98½	98¾	+0⅛	-0⅛	4.81
Elec. De France 5⅛ 94	20	100⅝	101⅛	+0⅛	0	4.92
Ireland 5⅛ 93	30	100	100½	0	-0¼	5.05
[illegible]						

World BK. 6⅛ 97 — 600 100⅛ 100⅜ 0 0 6.16
Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†98½	99	+0½	-1½	5.20
Asfinag 5 03	100	†96	97	0	-1	5.35
B.F.C.E. 4½ 98	200	†96¼	96½	+0⅞	-0⅛	4.99
B.M.W.Fin.Neth. 5 13	150	†93	93½	-1	-1⅛	5.51
Britannia B/S. 4½ 94	100	†95½	96	0	+0⅛	5.17
CIR. Int. W/W 3 93	125	†96	96¼	0	-2⅞	3.96
Credit Lyonnais 4⅞ 00	100	†95½	96½	0	-0¼	5.22
E.I.B 4⅝ 98	150	†95	96	+0½	-1⅛	5.24
Fletcher Chall. 4⅞ 98	150	†95	96	+0¼	-0⅞	5.51
Kobe City 4⅝ 98	150	†96	96½	-0⅛	-0⅛	5.13
Leeds Perm. B/S. 4⅞ 93	200	†96	97	+0¼	+0¼	5.06
Malaysia 5¼ 98	100	†94	94¼	-0¼	-2⅞	6.08
Maxwell Comm.Crp. 5 95	150	†98	99½	0	-1⅜	5.23
Nat. Bk. Hungary 5½ 94	75	†97	97½	+0⅛	-0⅛	6.06
Nationwide Ang.B/S. 4 93	200	†94¾	95	-0⅞	-1	5.33
Nippon Telg.&Tel. 4¼ 95	200	†96½	96⅞	+0½	-0⅛	4.86
Oesters.Ktbk. 5 03	75	†96	96¼	0	-1½	5.39
Prov. NewFoundland 5 03	150	†99	99¼	0	-0⅝	5.08
Thailand 4⅝ 95	200	†94	94½	0	-1¼	5.71
World Bank 5 03	150	†98¼	98⅝	0	-0⅝	5.15

Average price change... On day +0⅛ on week -0⅞

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
CBS. Inc. 5 02 US	†4/87	200.	95¼	96¼	0	8.76
Comm. Credit 5½ 02 US	4/87	66.75	64¼	65¼	+0¼	54.36
Eng.China Clay 6½ 03 £	9/88	4.8	103¼	104¾	+0⅝	6.47
Fujitsu 3 99 US	5/84	1106.	242½	243½	+0½	-0.69
Land Secs. 6¾ 02 £	6/87	6.72	93¼	94¾	0	10.29
MCA Inc 5½ 02 US	9/87	69.62	84¾	85¾	+0⅛	23.76
Minolta Camera 2¼ 94DM	2/86	1004.	105¼	106½	0	11.72
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	140¼	142¼	+2½	5.68
Mitsui Trust 2⅝ 01 US	10/86	1903.	149	150¼	+1⅞	4.93
Next Plc 5¼ 03 £	11/87	4.3	99¼	100¼	+0¼	217.32
[illegible]	4/88	804.	131	132	+1¼	12.47
[illegible]	4/87	1310.	215½	217	-0¼	-2.10
Ranks Hovis 4¾ 03 £	11/88	3.5	112½	113½	+0⅛	2.73
Redland 7¼ 02 £	11/87	5.4	93¼	94¼	+0¼	13.30
Saatchi&Saatchi 6¾ 03 £	10/89	4.41	98½	99¼	+0¼	21.20
Texas Inst. 2¾ 02 US	19/87	82.87	74½	75½	-0¼	49.77
W.R. Grace 6¼ 02 US	9/87	42.12	83¼	84¼	-0¼	28.40

* No information available-previous day's price.

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

Stable dollar leads Treasuries higher

By Janet Bush in New York and Katharine Campbell

US Treasury bonds yesterday traded quietly, scoring modest gains during the morning and then hardly moving all day.

Short-dated maturities closed as much as ⅛ point higher, while long-dated issues stood as much as ¼ point up from Friday's close. The yield on the Treasury's benchmark long bond fell to 8.85 per cent.

With no important economic data released yesterday, the dollar was about the only clear influence on the market. In comparison with its sharp falls at the end of last week because of central bank intervention and co-ordinated interest rate rises in Europe, the US currency's relative steadiness gave some modest encouragement to bonds.

In New York, the dollar closed at Y127.45 and DM1.8310, well below earlier highs but not under any substantial selling pressure.

The focus of the bond market this week is likely to rest on today's employment cost index which gives fairly broad data on wages and non-wage costs and will be looked at carefully for signs of wage inflation.

On Thursday, the latest figures for durable goods orders are published and preliminary estimates for fourth-quarter GNP come out on Friday.

YESTERDAY Mr Lawson stressed that his March Budget would steer clear of inflationary tax cuts. This gave the gilts market some confidence, as did an optimistic base rate forecast by NatWest Capital Markets. The bank predicted base rates down to 10 per cent by the end of the year.

Most activity is professional, though, as domestic institutions are still staying well away from UK bonds. In recent asset allocations they have favoured domestic equities, or else looked abroad for bond exposure.

Still, some Japanese interest in gilts had been reported in early trading on Monday. As fears of base rates hike recede fast, those at the shorter end of the market – that includes Japanese investors – are edging back.

The benchmark Treasury 11 ¾ per cent due 2003-07 had hit 117.00 during the day, but was down to 116 ¾ in late trading, still ¼ point firmer than Friday's close.

FRENCH BONDS moved firmly ahead yesterday, with the thought that the gloom after central bank tightening at the end of last week had been a bit overdone.

The Japanese had reportedly been buying here too early in the day, and the strength of the franc, together with firmness from US Treasuries in the afternoon, encouraged at least some bear covering of short positions in the futures market. On the Matif, the March contract on the 10-year bond ended the day 40 points stronger at 108.22.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	109-12	+4/32	10.34	10.46	10.64
	8.750	9/96	94-10	+10/32	9.74	9.96	10.06
	9.000	10/08	99-16	+4/32	9.05	9.18	9.20
US TREASURY *	8.875	11/98	99-07	+6/32	8.99	9.05	9.05
	9.000	11/18	101-14	+8/32	8.86	8.87	8.94
JAPAN No 111	4.600	6/98	98.4603	+0.228	4.84	4.80	4.67
No 2	5.700	3/07	108.8383	+0.105	4.79	4.80	4.75
GERMANY	6.750	8/98	100.5600	-0.075	6.69	6.65	6.66
FRANCE BTAN	8.000	10/93	97.7369	+0.001	8.58	8.48	8.60
OAT	9.500	5/98	105.7300	+0.130	8.56	8.51	8.61
CANADA *	10.250	12/98	101.5000	+0.250	10.00	10.04	10.09
NETHERLANDS	6.750	10/98	100.4000	-0.125	6.77	6.71	6.58
AUSTRALIA	12.500	1/98	97.2192	+0.229	13.02	13.08	12.90

London closing, *denotes New York close. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Citicorp in credit card-backed offering

By Andrew Freeman

CITICORP Investment Bank has launched the first issue of bonds backed by credit card assets to be underwritten outside the US. Bonds worth $150m, part of a $1bn global offering registered with the US Securities and Exchange Commission, have been allocated to non-US investors.

The issue has a three-year maturity and carries an indicated coupon of 9-10 per cent – depending on the underlying US Treasury market when final terms are set. It has been given prime triple-A ratings by Moody's Investors Service and Standard & Poor's. Final terms are expected today.

According to a Citicorp official, the deal carries a novel feature allowing all the bonds to mature at the same time – a so-called bullet maturity – rather than over a period as is usual.

To achieve this, the lead managers have created the National Credit Card Trust 1989-91. For the first two years of the Trust's life, the receivables pool will be kept at $1bn, using credit card payments to meet the semi-annual coupon payments. For the third year, payments will be taken direct into the Trust to accumulate the $1bn principal which will then be repaid to investors.

Combined with a partial credit enhancement provided by Union Bank of Switzerland, the certainty of a bullet maturity is expected to make the deal much more attractive to fund managers.

The $150m of paper offered to non-US investors is interchangeable with a further $850m underwritten in the US and lead-managed by First Boston.

First Chicago appeal

FIRST CHICAGO Corporation plans to apply to the Federal Reserve Board to underwrite and deal to a limited extent in corporate and related debt securities.

The US bank received authority last summer to underwrite and deal in commercial paper and municipal bonds.

Brussels bourse raises the curtain on Cats

Tim Dickson reports on today's introduction of a computerised trading system

The curtain in Brussels is today going up on Cats – not the long-running musical but the long-planned electronic trading system designed to breathe new life into the local bourse.

If all goes according to plan this morning stockbrokers linked to a central computer will, for the first time, be able to deal electronically and continuously through their screens in the shares of three major quoted companies: GB-Inno-BM, Belgium's largest retailer; Solvay, the big chemicals concern; and Tractebel, the diversified energy and communications group in which Société Générale de Belgique holds a key stake.

It is admittedly a modest first act in the modernisation and centralisation of trading information at the Brussels bourse. But just as more stocks will be added over the next few weeks as the operation expands, so Cats (Computer Assisted Trading System) can itself be seen as the first of a number of potentially far-reaching changes which promise to shake up the Belgian financial and securities markets over the next two to three years.

Surprising as it may seem in a city which houses the architects of Europe's great experiment in internal market deregulation, the Brussels Stock Exchange remains one of the cosiest and best protected European institutions of its kind. Trading by open outcry is restricted to a three-hour period in the middle of the day; fixed commissions are fat; and, thanks to the hectic battle for La Générale and a huge 52 per cent rise in the main index in 1988 (dividends included and reinvested), the 220 broking firms which have a monopoly have just completed a bumper year.

Pressures for a "little bang" of the kind which has already reverberated around many of Europe's smaller stock exchanges have been rising for some time, fuelled first by the efforts of the Belgian banks to break the brokers' monopoly, and more recently by growing government concern that Brussels needs to be more competitive to stave off the challenge from other centres as the trade and financial barriers come down ahead of 1992.

Things came to a head last summer when Mr Philippe Maystadt, Belgium's Finance Minister, stepped into the long-running row between brokers and banks and set up a government-appointed commission aimed at bringing the two sides together. Chaired by Mr Maystadt, its representatives included Mr Jean Peterbroeck, president of the stock exchange's own ruling body, and Mr Leo Goldschmidt, president of the Belgian bankers' association. A key contribution in terms of ideas was made by the Finance Ministry's appropriately named consultant, Mr Charles Goldfinger.

The trick appears to have worked, not least because of Mr Maystadt's interventionist style, which proved more effective than the "hands off" approach of Mr Mark Eyskens, his predecessor. Under a deal struck late last year and quickly approved by the Belgian cabinet, legislation will shortly be introduced enabling stockbroking firms to be transformed into limited companies, thus paving the way for them to be opened up to outside control.

As a first step banks and certain other financial institutions will be able to take a 25 per cent of a broker, but this limit should disappear by January 1, 1991, at the latest, or sooner if, as happened in France, the timetable for the reforms is advanced.

Philippe Maystadt: vision tempered with pragmatism

Brussels is awash with rumours of possible tie-ups for the Brave New World – but whatever the outcome (and the likelihood is that the leading Belgian commercial banks already have their strategies in place) the Government sees a major rationalisation of the widely scattered stockbroking sector as desirable.

Only Peterbroeck Van Campenhout (thought to be keen to remain independent with unlimited liability status), Deeway, Sibelle, Servais (in which Groupe Bruxelles Lambert has a one-third stake), and Puissant Baeyens are moderately sized broking firms by London standards, with the rest mostly one- or two-man family operations.

Another important objective of the reforms is to improve the "transparency" of the market place by centralising transactions in securities, and introducing an effective reporting system for individual trades. It is here that the brokers had something to gain in the recent negotiations, for while they have prospered mightily in the bull markets of the last few years, the more astute have been conscious of the way large chunks of business have been slipping from their grasp.

Belgian law currently allows transactions valued at more than BF10m ($260,000) to be carried out away from the stock exchange, with the result that "off bourse" trades represent a substantial and probably growing proportion of overall activity. No one knows how much, but estimates vary from around 25 per cent to well over 50 per cent during the hectic speculative periods which have marked the last 12 months.

The quid pro quo for the brokers in last year's package of reforms was the commitment to raise the existing BF10m ceiling to BF20m for trades on the cash market, and BF30m for trades on the more important forward market which accounts for roughly 65 per cent of stock exchange dealing volume.

The transmission of real time prices through Cats should in theory bolster the transparency of the market, ensuring that share prices more accurately reflect underlying market conditions, thereby making them a more elusive reference point for those trying to deal in larger blocs outside the bourse. (At the height of the La Générale takeover tussle the price differential between trades done on and off the bourse is thought to have reached 10 per cent at times).

Optimists in Brussels say that these and other proposed changes – the reduction of fees for larger transactions, the establishment of a new official Banking and Finance Commission to oversee the markets, and tentative plans for a code of conduct to deal with insider trading and other conflict of interest problems – can not only bring back business lost to London and Paris but widen the scope of the Brussels market. The new capital brought to the broking houses, they say, should encourage the development of markets in areas like Ecu-denominated instruments, long-term debt instruments and options trading.

Pessimists believe that the small size of the domestic market will inevitably frustrate Mr Maystadt's ambitions, notwithstanding Brussels' pivotal position in the European Community and its still impressive list of multinational companies and international banks.

No one denies that there is a long way to go. A second Maystadt commission is currently looking at new ways in which Brussels can improve its competitive position, notably through lowering withholding tax rates from the present 25 per cent, eliminating stamp duty, improving the fiscal environment for managed funds, and encouraging the Ecu market.

Mr Maystadt's vision, tempered with the pragmatism for which all Belgian politicians are renowned, may yet pay off.

India may allow direct foreign investment in equities

By R.C. Murthy in Bombay

THE INDIAN Government is on the verge of allowing direct foreign investment in Indian equities, a portion of which is to be denominated in leading international currencies, mainly in US dollars, and listed on international stock exchanges.

Until now access to the Indian shares has been indirect, through two mutual funds set up by the Unit Trust of India.

Some half a dozen companies, led by Tata Iron and Steel, have sought permission to float convertible bonds on international bourses to finance expansion plans. The Finance Ministry has favoured the proposal.

The Controller of Capital Issues (CCI), part of the Finance Ministry, says capital flotation overseas by Indian companies would, in the short term, support the balance of payments, which has worsened over the past two years, and would be of more "substantial long-term benefit," by way of lowering the debt service burden, than commercial borrowings.

At the moment some $1bn of new funding is thought to be in the pipeline. Tisco, Reliance Industries and J.K.Industries have proposed to raise $200m each, and Southern Petrochemicals Industries and Essar Group have also expressed an interest in the proposals.

The Finance Ministry is now holding talks with merchant bankers and the Reserve Bank of India, which administers the foreign exchange regulation act, on selection of an instrument best suited to Indian needs.

Prime-Merrill joint funds

By Alan Friedman in Milan

PRIME, a leading Italian unit trust jointly owned by the Fiat group and Monte dei Paschi di Siena, a Tuscan bank, yesterday unveiled three new funds designed to channel Italian investment into international equity markets. A joint venture with Merrill Lynch, they will be known as "Prime-Merrill" funds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Jan 20 Index No.	Thu Jan 19 Index No.	Wed Jan 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (76)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (712)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Jan 23	Day's change %	Fri Jan 20	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 23	Fri Jan 20	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflation rate 5%	5yrs.	[illegible]	[illegible]	[illegible]
12 Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflation rate 10%	5yrs.	[illegible]	[illegible]	[illegible]
14 Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	105	0	6
Corporations, Dominion and Foreign Bonds	26	1	24
Industrials	585	300	702
Financial and Properties	236	103	331
Oils	23	27	50
Plantations	2	2	8
Mines	69	25	92
Others	63	88	79
Totals	1,109	546	1,292

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings	Jan 23
● Last Dealings	Feb 3
● Last Declarations	May 4
● For settlement	May 15

For rate indications see end of London Share Service

Calls in Lonrho, Edmond Hldgs, Quotient, Wiggins, Hyman, York Trust, Tesco, Ibstock Johnsen, Templeton & Galbraith, Randsworth, Brit Steel, Burton Grp, N Kalgurl, Norfolk Cap, Puts Blue Arrow. P/C Eagle Trust, Stormgard.

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 23 Total Contracts [illegible]. Calls [illegible]. Puts [illegible]

FT-SE Index Calls [illegible] Puts [illegible]

*Underlying security price.

UK COMPANY NEWS

Reed chief sits well on top of cash pile

Raymond Snoddy reports on the softly-softly acquisitions approach of Peter Davis

AS THE *characters in* the John Steinbeck novel Tortilla Flat rapidly found out, sudden wealth can be an enormous burden.

Ever since Mr Peter Davis, chief executive of Reed International, the *publishing* and information group, took up his position last year on top of the £800m pile of cash generated by the sale of Reed's manufacturing activities the stream of potential suitors and mendicants has been constant.

Reed's cash pile may not be in the same class as Lord Weinstock's over at GEC, but it takes some looking after all the same.

"*In terms* of black books and confidential letters from banks, then there's something in the medium category (£50m-£250m) almost every day of the week," says Mr Davis, sinking contentedly into the corner of a large sofa in *Reed's palatial* new London headquarters next door to the Egyptian Embassy.

The weekend before last, Mr Davis, a former assistant managing director of J. Sainsbury, the grocery group, was called at home on Saturday and offered a major acquisition prospect, followed by another the next day.

Without really trying, Mr Davis says, he could get *through £200m a week, and as* a member of the nouveau cash rich he has had to learn quickly the gentle art of saying no more often than maybe.

" Part of my job is to reassure shareholders that we are not buying anything that moves. The downside is that people think you can't do anything," says Mr Davis who has played a central role in turning Reed from an industrial conglomerate into a major international player in publishing and information.

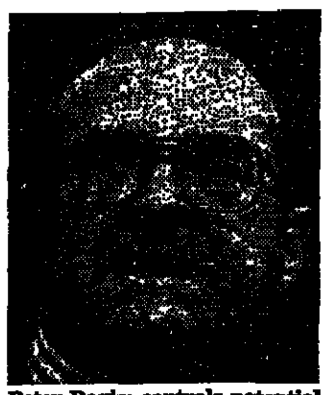
Last year Reed was exploring the prospect of a major deal with Pearson, the publishing and industrial group that *publishes the Financial Times.*

Mr Davis suggested a friendly merger, but Lord Blakenham, Pearson's chairman, declined and Pearson then entered a strategic relationship with Elsevier, the Dutch publishing group, effectively taking Pearson out of play.

To the frustration of the City, which has a considerable appetite for excitement and drama, Reed has ostentatiously not made a major acquisition. It has, however, looked at many, including Dun and Bradstreet's Official Airline Guides division, which went instead to publisher Mr Robert Maxwell for £425m.

There is, according to Mr Eric de Bellaigue, publishing analyst at stockbroker CIBC Securities, some "slight disappointment" that Reed has not so far used its potential financial muscle *of* up to £1.5bn in cash and borrowings. He concedes, however, that its "add-on" acquisitions in recent months have made a lot of sense and will have a useful effect on profits.

Since last March the steady stream of "add-ons" have totalled more than £200m. Although few have been large enough individually to produce headlines, they have all expanded Reed's new core business of publishing, particularly business-to-business publishing, or trade press as it used to be called. This sector now accounts for about half of Reed's total activities.



Peter Davis: controls potential financial muscle up to £1.5bn

In April Reed bought Communication/Today, a stable of US business magazines specialising in the home furnishing retail and manufacturing industries, for $41.65m (£23.5m) *plus a potential further $20m* linked to profits.

Titles such as The Professional Upholsterer may not be on the more glamorous side of publishing, but according to *Mr* Davis there is nothing dowdy about the profits such titles produce.

There *has* also been the acquisition of 50 per cent of Book Club Associates for £52m and the recent purchase of Mr Eddy Shah's *Messenger Group* of local newspapers in north-west England for £25.25m.

Individual magazine purchases in the past nine months have included Steroids Journal, Social Sciences Insight and the Croydon and Bromley Property News. A further £25m has been spent on in-house development, money that comes straight from the profit line.

Despite repeatedly warning shareholders that the softly softly approach to running down a cash pile is a perfectly respectable option, Mr Davis feels that people do not believe him and *dismiss it out of hand.*

"We are spending faster than we are generating cash flow, so it will go down over a period of time – I would guess two to three years at the present rate. But one medium acquisition – say the TV Times (the television listings magazines recently put on the market by the ITV companies) could change that," Mr Davis says.

Many of the acquisition proposals come up from the divisions, and board assessment of divisional management is a key factor in whether the money is forthcoming or not.

The main focus of expansion is likely to be in the US, conti*nental Europe and the Far East* rather than in Britain, Mr Davis believes.

As well as deciding what to buy and what not to buy Mr Davis must always look over his shoulder at the stock market implications of his strategy. The strategic withdrawal from *manufacturing* businesses such as paper and packaging has for the time being brought earnings per share *growth to an end.*

"There are restrictions on how high a price we can pay without doing further demage to earnings per share," Mr Davis emphasises.

Reed, which exceeded City expectations with pre-tax profits of £133.2m on turnover of £905.2m in the six months to October 2, believes there are considerable advantages in a cautious approach to acquisition.

The cash pile is held in sterling deposits "long enough to get decent rates of interest and short enough to use it if we need it for a bid."

Despite spending more than *£200m, the combination of high* interest rates and cash flow generated by acquisitions has kept the cash pile well above £700m.

The non-stop arrival of black books – confidential dossiers on companies or divisions for sale – is another important advantage of being courted. Such documents cannot be copied and must be returned. But Mr Davis concedes laconically: "I *think* we have *learned an* awful lot in the process."

And as many of the black books involve the sale of a division of large international companies, Mr Davis says he has also learned a great deal about the business and how Reed'scompetitors operate.

While the cash pile continues to earn interest, Reed also hopes that a more blustery business climate will blow some of the froth off the purchase price of publishing companies.

Reed *might* one day *surprise* everyone with an enormous acquisition, but Mr Davis is *adamant* that there is no one *thing so right* for the company that caution will be thrown to the winds.

" It wouldn't surprise me if there wasn't any dramatic change and we just kept on making small to medium acquisitions and still have a lot of cash at the end of the year," says Mr Davis, who can obviously cope with wealth better than an inhabitant of Tortilla Flat.

Cambrian settles with Inland Revenue

By Nikki Tait

CAMBRIAN & General Securities announced yester*day that it had reached a set*tlement with the Inland Revenue over the amounts payable by the trust. And the directors say that they are satisfied that the remaining provisions made by the trust are realistic.

The investment trust, which was once a UK vehicle for Mr Ivan Boesky, is facing a £71.4m offer from US-based Leucadia National Corporation. Cambrian's directors said that as a result of the settlement the discount to net asset value, after provisions, in the Leucadia offer was no longer appropriate and that shareholders should hold out for a fair price.

Cambrian's problems with the Revenue date back to Mr Boesky's days. The basis on which the settlement has been reached involves the tax authorities agreeing to give Cambrian investment trust status for the years up to the end of September 1987, but Cambrian accepting that certain profits made during this period should be subject to corporation tax.

Yesterday its advisers, S. G. Warburg, declined to say what sum would be paid to the Revenue or the extent to which this differed from the provision made.

Warburgs added that provisions were viewed as "one big pot", covering both potential litigation and tax liabilities. The litigation situation has still to be resolved.

Although Leucadia declared *its bid final when it increased* its offer, there are various circumstances under which it could alter the terms, of which resolution of the tax uncertainties is one.

Last night, Hambros, advising Leucadia, were awaiting the latest document from Cambrian to shareholders and were reluctant to comment on the strength of the announcement alone.

Acsis up at £3.68m and seeks to raise borrowing powers

By Nikki Tait

ACSIS, the USM-quoted marketing services company being built out of the former Acsis Jewellery shell by South African Mr Darryl Phillips, yesterday reported pre-tax profits of £3.68m for the 12 months to December 31.

The figure covers a period of *rapid acquisitions* – 11 *overall* – all of which have been merger-accounted. On this basis, the comparable 1987 figure is £1.99m before tax, while earnings per share rose from 1.9p to 2.8p on a fully-diluted basis.

The company is also returning to the dividend list, with a payment of 0.6p a share, the first since 1985. Yesterday, Acsis shares added 2p to 50p.

The fastest growth was in the continuity sales promotion side – where the IMC group was acquired in November. Here, trading profits (on the merger-accounted basis) rose from £509,00 to £1.22m. Media sales chipped in £1m (£460,000), *and interior design, £516,000* (£205,000).

The lowest growth was shown by the recruitment businesses, from £802,000 to £992,000, although Acsis said this was due partly to head office costs and certain one-off items.

Interest charges cost £64,000 (£11,000 surplus), and tax took £1.34m (£830,000). Below the line, there was an £180,000 extraordinary cost, *reflecting* the deficit on the disposal of the jewellery business.

Acsis is following the Hanson route, and asking shareholders to amend its articles so that acquired goodwill can be included in the calculation of the company's borrowing powers. The borrowing limit would rise for around £5m to £34m.

● **COMMENT**

The first few years' development of any shell situation tends to tell investors more about new management's deal making skills – and its ability to persuade investors to take up more paper – than about longer-term prospects. Warranted profits, after all, have a knack of being met. That said, it is to Acsis's credit that it has pushed *through* deals in an exceptionally difficult post-crash climate; appears, in the view of most analysts, to be carving out some handy niches in the marketing services area; and yesterday showed off its internal controls by producing an annual report alongside results. If Acsis makes the £5m being forecast by analysts for the current year, the rating, at 11-12 times prospective earnings, *is perhaps* 25 per cent higher than that of the agencies sector generally - a premium which is probably justified. To what extent Acsis keeps up the acquisition pace is a moot point. Its *last* share issue had a poor response, demonstrating partly how fragile markets still are, and although the balance sheet is healthy, cash is obviously limited. Against that, Acsis maintains *that* vendors' expectations are finally becoming more realistic. Hopefully so - but it is no criticism of the group itself if becoming another WPP in today's market conditions is a rather tougher task.

Evered buys aggregates for £20.5m cash

By Nikki Tait

EVERED HOLDINGS, the building products group which earlier this month announced the impending departures of its chairman Mr Raschid and chief executive *Mr Osman Abdullah,* yesterday unveiled a £20.5m-plus expansion of its UK quarries business.

In a move that will bring in an extra 50m tons of aggregate reserves, the company is acquiring six quarries in Yorkshire and County Durham from the privately-owned Ogden Group.

The deal also includes blacktop plants and an architectural stone business.

Evered is paying an initial £20.5m in cash. A further £2m will become payable if certain planning consents at *one* quarry are secured.

The quarry companies being acquired made adjusted pre-tax profits of £2m in 1987, and are expected to have aggregate net *assets at completion of about* £14m.

Mr Roy Kettle, the new group chief executive, said that the acquisition of the Peckfield Quarry in Leeds also offers waste landfill opportunities - an area into which he sees Evered expanding.

Since the news of the Abdullahs' prospective departure, Evered has attracted some bid *speculation, although its* shares eased 3p to 128p yesterday. Mr Kettle said that he was unaware of any stakebuilding or any approaches, and that any such action would be "strenuously resisted".

Bowater not bidding for Norton Opax

By Andrew Hill

BOWATER INDUSTRIES said yesterday that at the moment *it had no intention* of mounting a full bid for Norton Opax, the specialist and security printer.

The packaging and industrial products group confirmed that last week it paid £69.35m for a 24.4 per cent stake in Bowater, consisting of ordinary and voting preference shares and including a holding of about 24 per cent belonging to *Mr Robert Maxwell's* vehicle, Bishopsgate Investment Trust.

The group would not comment about its reasons for buying the stake, but yesterday's brief statement rules out a full offer for at least three months, unless another predator emerges.

Shares in both groups were almost unchanged yesterday with Bowater down 1¼p *to* 434p, and Norton Opax down 1p to 173p, capitalising the group at about £246m.

The two companies will meet today to discuss the holding, and Bowater is planning briefings tomorrow to outline the strategy behind the purchase.

Bowater has recently been selling peripheral operations to concentrate on its core packaging and industrial products businesses, raising more than £60m since last summer.

Analysts speculated yesterday that Bowater, which would *be hard-pressed to finance* a full-bid, might attempt to justify the purchase as an exchange of underperforming businesses for a higher quality investment.

They also suggested that Bowater might wish to come to a friendly *arrangement* with Norton, which announced pre-tax profits of £35.6m in the year to the end *of September.*

●Scott Paper, world's largest maker of sanitary tissue, has concluded negotiations to buy Cross Paperware, based in Dunstable, Bedfordshire, from Bowater for £14.7m. Cross has *annual sales of £20m.*

Scott believes the market for disposable foodservice items, such as paper plates and napkins, plastic cups and cutlery, is expanding and further acquisitions could *follow.*

Recovery at NWBI

National Westminster Bancorp Inc, the US banking *subsidiary* of the UK clearer, unveiled a *net profit of $129.9m (£73.45m)* for 1988.

The outcome compared with a net deficit of $223.6m in the previous year. Mr William T Knowles, chairman and chief executive of NWBI said the results reflected the favourable impact of the acquisition in February 1988 *of* National Westminster Bancorp NJ, the former First Jersey National Corporation.

Frogmore stake

Markheath *Securities,* the UK arm of the Australian group, Adelaide Steamship, has lifted its holding in Frogmore Estates, the property development and investment group, to 14.6 per cent.

The company has progressively built up the stake since last July when it disclosed a 5 per cent holding.

Setback for Kingsgrange

By David Waller

KINGSGRANGE, the scented toiletries manufacturer, yesterday reported interim pre-tax profits down by a half. In the six months to end-October last year, the company made profits of £542,000, against £1.08m in the first half of 1987.

The company blamed the decline on rising interest rates (as reflected in an interest bill up from £14,000 to £441,000) and the costs of expanding the business in the US. Problems in North America had already caused profits for the whole of 1987-88 topple from £1.34m to just £170,000.

Mr Ian Aldred, chairman, said that the growth in US costs had coincided with a rise in turnover (turnover in the first half rose from £8.65m to £11.94m). The acceleration in costs was set to be arrested with a joint venture agreement completed yesterday.

Under this agreement, two Canadian businessmen have taken a 50 per cent stake in Kingsgrange's North American businesses; one of the men, Mr Lyle Blair, is to join the Kingsgrange board with immediate effect.

Earnings per share fell from 5.4p to 2.1p. The interim dividend is maintained at 0.75p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acsis Group § ....fin	0.6	Apr 28	nil	0.6	nil
Cent Motor Auct§ .....fin	2	Apr 3	-	2.75	-
Dyson (J&J) ....int	2	Apr 5	2	-	4.5
Gibbs Mew § ....int	2.75‡	-	2.5‡	-	5.5
Kenyon Secs § ....int	2†	Feb 28	2	-	6.75
Kingsgrange ....int	*0.75*	-	*0.75*	-	*1.5*
Menvier-Swain § ......int	1.6	Apr 7	1.2	-	4
Panfida ....fin	1.75	-	1.5	2.25	2
Prism Leisure § ....int	1.5†	Mar 6	1.46	-	4.46
Shelton(Martin)§.......int	0.5	Feb 27	0.5	-	2
Soundtracs § ....fin	1.5	Apr 10	1.2	2.2	1.9
Splash Products§ .....fin	1.5†	-	1.1	3	2.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Includes 1p property dividend.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Flogas, Johannesburg Cons Inv, Kakuzi, McKay Securities, Murray Smaller Markets, Pathfinder, Practical Investment, Saville Gordon (J).

Finals- Blick, Company of Designers, Goring Kerr, Nash Industries, Norsk Data, RCO, Spice, Tace.

FUTURE DATES

Interims-

Beales (John)	Jan. 25
Really Useful	Feb. 21
Wholesale Fittings	Feb. 3
Wintrust	Jan. 26
Finals-	
Aaronson	Feb. 7
BSR International	Mar. 8
Baldwin	Jan. 27
Berkeley Govett	Jan. 30
Guinness	Apr. 6
Throgmorton Trust	Jan. 31

MANUFACTURERS HANOVER

Success

1988

"OBJECTIVES MET AND SURPASSED"

"We began 1988 by putting forth what some characterized as an ambitious financial plan. I'm pleased to report our objectives have been met and in some cases surpassed. Year-end highlights include:

- **Net earnings total $966 million.**
- **Common shareholders' equity ratio climbs to 4.30 percent.**
- **Total shareholders' equity ratio reaches 4.89 percent.**

"Our common equity ratio is now higher than it was before the reserving action in June of 1987. In fact, our year-end numbers indicate that we currently meet the risk-based capital guidelines set to take effect in 1992, including the four percent Tier 1 requirement.

"While we are pleased with these meaningful accomplishments, there should be no doubt that we plan to continue to build capital, improve credit quality and zealously manage expenses.

"We showed earnings progress in several of our core businesses, with investment banking and retail banking maintaining their strong performance, while global corporate banking improved based on better credit experience. In addition, The CIT Group showed a threefold increase in earnings to $120 million. Continuing to more sharply focus our core businesses is central to our 1989 financial plan."

John F. McGillicuddy
Chairman of the Board
Chief Executive Officer

UK COMPANY NEWS

The expensive business of defensive action

Kenneth Gooding on the state of play in Gold Fields' fight against Minorco's bid

CONSOLIDATED GOLD Fields, the UK-based diversified mining group, has so far spent nearly £20m fighting off the hostile approaches of Minorco, the South African-controlled investment company. And the bill will go on increasing because the bitter corporate battle between the two companies is moving into a critical phase.

In Britain, the Monopolies and Mergers Commission delivered yesterday to Lord Young, the trade and industry secretary, its report on Minorco's £2.9bn hostile bid for Gold Fields.

In New York, meanwhile, an appeal court is expected shortly to give its verdict on a preliminary injunction issued by the US Federal Court which effectively prevented Minorco going ahead with its offer for Gold Fields.

The implications of this judgment were obscured because it was made on October 25, the same day as the bid was referred to the UK's MMC. The New York judge said he was taking immediate action to stop the offer until a full hearing of anti-trust allegations against Minorco could take place in the US, because "once a takeover has occurred it is difficult, if not impossible, to unscramble the eggs".

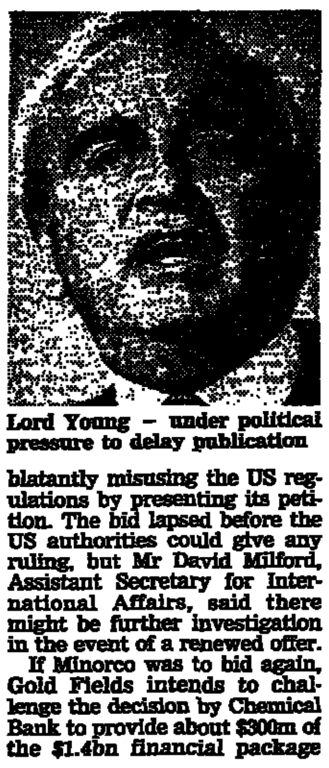
If that US injunction is upheld on appeal, it would have just as serious an impact on Minorco's plans as an adverse MMC report.

The intensive worldwide campaign waged by Gold Fields has also left other obstacles in Minorco's path even if Lord Young gives it the go-ahead to bid again for the UK company.

The European Commission said it was examining whether the bid had involved a breach of Community rules. This inquiry has apparently been put on ice until the result of the MMC investigation and Lord Young's decision is known.

The US authorities also held fire on petitions sent by Gold Fields and Minorco to then-President Ronald Reagan.

Gold Fields asked Mr Reagan to intervene on the grounds that the bid would endanger US national security. Minorco argued that Gold Fields was



Lord Young — under political pressure to delay publication

blatantly misusing the US regulations by presenting its petition. The bid lapsed before the US authorities could give any ruling, but Mr David Milford, Assistant Secretary for International Affairs, said there might be further investigation in the event of a renewed offer.

If Minorco was to bid again, Gold Fields intends to challenge the decision by Chemical Bank to provide about $300m of the $1.4bn financial package Minorco put in place for the original offer. Chemical has been under considerable pressure from New York City officials and has agreed it will make no more loans to South African-controlled companies.

Mr Roger Phillimore, Minorco's commercial director, said recently that the Chemical Bank finance was still in place. Gold Fields' US lawyers, having examined the documents, will argue, however, that the agreement between Minorco and Chemical lapsed with the bid.

London analysts are divided in their opinions about the possible outcome of the MMC inquiry. Some suggest that the reference was purely political because the Government did not want any more UK assets falling under South African influence, so any further bid by Minorco was likely to be blocked.

Others accept Lord Young's insistence that the bid was referred entirely on competition grounds. However, they say no reasonable competition case can be presented and that Lord Young, in the circumstances, must give Minorco clearance to bid again if it wishes.

A third group suggests that the outcome might be a compromise, with Lord Young insisting that certain conditions be met before Minorco could proceed. However, Gold Fields has lobbied strongly against this course, saying that, because so many of the assets involved are outside the UK, it would be difficult for the British authorities to police any arrangement.

Lord Young has also been under political pressure to hold up publication of the MMC report until he has seen the results of the separate inquiry by DTI inspectors into possible insider trading in Gold Fields' shares in the six months leading up to the Minorco bid.

Some analysts believe that the inspectors' report — the contents of which would not be made public — will probably not reach Lord Young until June. He is under no statutory obligation to publish the MMC report before then but, if he decided to wait, he would almost certainly tell the two companies that he proposed to hold on until he had DTI inspectors' findings.

Alexanders rejects approach by Cowie

By John Thornhill

ALEXANDERS Holdings, Scotland's largest Ford main dealer, has rejected a bid approach from T. Cowie, the Sunderland-based motor group.

Cowie contacted Alexanders last week to discuss terms for a possible bid. It was told that the approach was unlikely to result in an offer acceptable to Mr Henry Clayton, who owns 56 per cent of Alexanders and is its joint managing director.

On Friday Cowie announced that it had increased its stake from 9.7 per cent to 12.33 per cent.

Mr Gordon Hodgson, Cowie's finance director, said yesterday that his company had held tentative discussions with Alexanders' merchant bank, Hambros, but they were too far apart over a realistic price.

He said: "No further talks are planned at present but one cannot rule out future discussions."

Cowie has stated that it is interested in further acquisitions and is known to have minority interests in several companies in the motor-dealing sector.

Mr Tom Cowie, chairman, has a record of acquiring companies and buying shareholdings in other motor dealers.

On January 12, Cowie disclosed the purchase of a 7.25 per cent stake in Lookers, the Manchester-based motor dealer. A 9.6 per cent stake in Trinoco was sold in December.

Alexanders earlier this month announced record pre-tax profits of £1.73m in the year to September 30 1988.

The shares rose 5p yesterday to close at 47p.

Subsidiary of failed Sound Diffusion sold to managers

By Philip Coggan

ONE OF the main businesses of Sound Diffusion, the electrical equipment group which went into receivership at the end of last year, has been sold to a company involving many of Sound Diffusion's former management.

Mr George Ehlers, former finance director of Sound Diffusion, confirmed yesterday that he was a director and shareholder of Bowcom, which has bought the manufacturing arm of Sound Diffusion from the receivers.

Also involved in Bowcom are Mr David Rosbrook, the former technical director, and Mr Frank Andrew, who was appointed managing director just weeks before Touche Ross was appointed receiver.

Mr Ehlers said he was not at liberty to disclose the price paid, although he understood that Bowcom had been in competition with other bidders.

The rental business of Sound Diffusion has been acquired by Colemain Customer Services, which it is believed is owned by a consortium of banks.

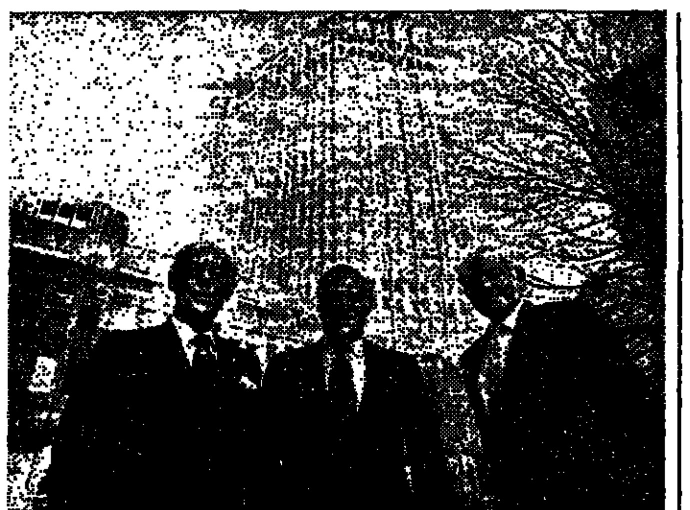
Touche Ross has already declared that the ordinary shares of Sound Diffusion — suspended at 22p on December 5 — have no value and aggrieved investors in the company have called for the affair to be investigated by the Department of Trade and Industry.

New management, led by Mr David Macdonald, a former director-general of the Takeover Panel, was brought into Sound Diffusion at the end of 1987, following the resignation of Mr Paul Stonor, the former chairman.

In April 1988, after making substantial write-offs to reflect a change in accounting policies, Sound Diffusion launched a £10m rights issue to recapitalise the group.

Investors including Mr Michael Dawson, chairman of Tunstall, which owned 4.9 per cent of Sound Diffusion have been particularly upset that the rights issue circular included the statement "your directors are now confident that the problems of the past are behind us and that the company will enjoy a successful year in 1988."

Sound Diffusion was capitalised at about £31m when the shares were suspended.



The presence of Denis Thatcher, the Prime Minister's husband, drew out the crowds in the City yesterday for the listing in London of shares in Echlin, a US replacement car parts company, writes Clare Pearson.

Mr Thatcher (left) is a non-executive director of Quinton Hazell, the UK replacement parts company which Echlin bought from Burmah Oil in September 1986. He is pictured with Frederick Mancheski (centre), chairman and chief executive of Echlin, and Roger Storey, group managing director of Echlin Europe.

Mr Thatcher, whose involvement with Quinton Hazell dates from the early 1970s, admitted its performance had been less than dazzling during most of this time. But it had improved sharply since being bought by Echlin, which said yesterday it was planning a big push into Europe both through acquisition and organic growth. Echlin made $93.3m (£52.7m) pre-tax profits on sales of $1.29bn in the year to end-August.

French group extends agreed water bids until February 3

By Andrew Hill

SAUR Water Services, a subsidiary of Bouygues, the French construction and service company, has extended its agreed bids for three statutory water companies in the south east of England until February 3.

About 40.9 per cent of the votes in West Kent Water Company had been committed to the SAUR offer by last Friday, an increase of 2.7 percentage points since the offer's first closing date.

West Kent is also subject to a higher counter-bid from Southern Water Authority and its joint venture partner, Associated Insurance Pension Fund, a vehicle for Mr Duncan Saville, a Sydney-based investor.

Southern and AIPF have approached the Takeover Panel over the role of Equity and Law Life Assurance Society in their bid for Folkestone and District Water Company. The bid was defeated last Friday by an increased recommended offer from Compagnie Générale des Eaux, when Equity and Law sold a crucial 11 per cent stake to the French water supplier.

Equity and Law also holds about 7 per cent of the votes in West Kent.

At Mid-Sussex Water Company, which shares management with West Kent but is not facing a Southern/AIPF counter-bid, some 25.2 per cent of the voting rights have been committed to the SAUR offer, against 22.5 per cent at the first close.

SAUR had also received acceptances of its offer for Mid Southern Water Company, outside Southern Water Authority's area, representing 38.3 per cent of the voting capital.

BIA shares fall then rise after ILG withdraws

Shares in USM-quoted British Island Airways, which said on Friday it had received a number of approaches, fluctuated sharply yesterday after International Leisure Group ruled itself out as a bidder, writes Clare Pearson.

The announcement by ILG, the private tour operator chaired by Mr Harry Goodman, sent BIA shares tumbling 43p to 95p. But they climbed back to 129p after BIA reminded the market that its Friday announcement had referred to a number of approaches — not just one — that might or might not lead to an offer being made.

Mr Peter Villa, BIA chairman, said discussions with ILG had been purely exploratory.

BIA swung from profits of £885,000 to losses of £776,000 in the six months to the end of June 1988, which it ascribed to introductory costs of a new aircraft.

Triplex Lloyd takes 1.4% stake in J Neill

By Philip Coggan

TRIPLEX LLOYD, the foundries and engineering group, yesterday confirmed that it had acquired a 1.4 per cent stake in James Neill Holdings, the tool manufacturer best known for its Spear & Jackson range.

Mr James Doel, Triplex chief executive, said that he had written to James Neill last October suggesting co-operation but had been rebuffed. Triplex subsequently acquired 375,000 shares. But Mr Doel added that Triplex was "not in the habit of making hostile bids" although he thought James Neill was "a very interesting company which was stuffed to the gunwales with brands".

Mr Doel said Triplex "had no plans, at present, to add to our stake". Triplex was busy assimilating Christy Lloyd, the castings, electro-mechanical services and car components group which it acquired in December. James Neill shares closed 7p higher at 199p.

Meanwhile, Triplex has disposed of the Taylor Tunnicliffe business of Christy Hunt for £1.73m. The buyer is Majorgraph, a private company. Consideration is £1.28m cash with the remainder being satisfied by the repayment of intra-company debt.

Panfida assets fall to £53.9m

By Fiona Thompson

PANFIDA GROUP, formerly Investing in Success Equities (ISE), yesterday reported its final results as an investment trust, covering the year to September 30 1988.

Net assets decreased to £53.88m on that date, from £74.78m at end-September 1987. In his statement, Mr Samuel Gazal, chairman, said this was a result of the October 1987 stock market crash.

Revenue before tax for the year was £1.8m, compared with £1.08m. Dividend income totalled £453,734 (£778,633) and interest income was £3.09m (£1.53m), because of the large holding in gilts. The final dividend is 1.75p making a total of 2.25p (2p) for the year.

Panfida was born out of the merger last November between ISE, the UK investment trust, and Panfida, the Australian investment company which has businesses in the US, the UK and Australia. The group ceased to be regarded as an investment trust on October 1 1988.

Since the merger the character of the company has changed significantly and it is now the holding company for a group, the principal interests of which are in small store retailing in the UK and the US, in food processing and trading in the UK and Australia, and in property development in Australia.

Beazer Leisure sold to managers

By Philip Coggan

Beazer, the construction and aggregates group, is disposing of its leisure subsidiary in a £6.8m management buy-out.

The sale of Beazer Leisure, acquired in the takeover of building company William Leech in 1985, reflects Beazer's decision to concentrate on three areas - homes and property, contracting, and building products and aggregates.

Profits of the holiday parks operator are not being revealed. But Mr Chris Pople, Beazer's investment manager, said the company was being sold for close to book value. Consideration is in the form of repayment of intra-group debt.

Beazer Leisure will retain its name until December, when it plans to adopt the name Parkdean Leisure. The buyout, organised by Arthur Young Corporate Finance, was backed by Investors in Industry (3i), Midland Montagu Ventures and County NatWest Venture Capital.

Menvier-Swain grows by 30%

ENCOURAGING growth in the UK and progress in most overseas markets pushed Menvier-Swain to a 27 per cent rise in turnover and a 30 per cent increase in profits for the half year ended October 31 1988.

The USM-quoted group, Britain's biggest maker of emergency lighting, produced turnover of £11.75m (£9.27m) and pre-tax profit of £1.62m (£1.25m). With earnings rising from 7.2p to 9.5p, the interim dividend is lifted to 1.6p (1.2p).

Mr Charles Swain, chairman, said the UK market for emergency lighting and fire alarms continued to show encouraging growth. "We believe we are continuing to gain market share from our competitors" he said.

The Australian subsidiary was performing strongly and exports into the Middle and Far East markets were on target. In the US, Electro Powerpacs had not yet reflected full potential, although an improvement was expected in the second half.

First Leisure stake

London Merchant Securities has raised its stake in First Leisure Corporation to 29.99 per cent. It has bought 200,000 shares at 149p and 1.99m shares at 145p to take its holding to 41.21m shares.

AMEC establishes joint venture in Portugal

By Andrew Taylor, Construction Correspondent

AMEC, which last year boosted its ranking as one of Britain's biggest construction companies by acquiring Matthew Hall in a deal worth £130m, is extending its European operations by establishing a joint venture company in Portugal.

It is joining with ENGIL, a leading Portuguese contractor, to form a new company based in Lisbon. Mr Alan Cockshaw, AMEC chairman, said that construction and property development in Portugal was expected to increase when the country assumes membership of the European Community.

The announcement yesterday follows a series of joint ventures announced between British and continental construction companies ahead of 1992 when EC trade barriers are due to be dismantled:

- Bovis, the British construction group, has acquired a 15 per cent stake in Les Constructeurs Professionels Associés (Copra), the French builder. Bovis has formed a Paris-based management contracting joint venture with Copra.
- John Brown, the engineering subsidiary of Trafalgar House, the British construction, property, shipping and hotels group, has acquired a 35 per cent stake in Sofresid, France's second largest process plant developer.
- John Mowlem has acquired Comabi, the French scaffolding group, for £10m and has increased its stake in Construcciones Desmontables Tubulares, the Spanish scaffolder, from 30 to just over 50 per cent.
- Société Générale d'Entreprises, the French construction group which is 55 per cent owned by Compagnie Générale des Eaux, France's largest water supplier, last week said it was negotiating to buy a 52 per cent stake in Norwest Holst, British civil engineer.

SHARE STAKES

Changes in company share stakes announced recently include:

ABB Kent - Prudential Corporation has reduced its interest to less than 5 per cent. Its previously recorded holding was 5.17 per cent or 3.93m shares.

American Trust - Merchant Navy Officers Pension Fund has raised its holding to 8.3m shares (10.01 per cent).

Associated Farmers - JHR Carver, a director, has bought 80,000 shares shares taking holding to 115,000 shares (5.68 per cent).

Avon Rubber - Standard Life Assurance has sold 268,000 ordinary and now holds 1.18m (7.11 per cent).

British Mohair — Lawrie Group now holds 3.33m ordinary (25.04 per cent) after two purchases of 10,000 and one of 25,000.

Brunning Group - Funds under the control of National Westminster Bank are interested in 247,071 shares (5 per cent).

Caparo Industries - Mr Swraj Paul, director, has acquired 100,000 shares to bring his holding to 29.02m (74.58 per cent).

Control Techniques — Director KL Briggs has sold 100,000 ordinary at 175p apiece and now beneficially owns 1.61m (10.08 per cent).

Corporate Estates - UTC Group has acquired 1.5m shares, increasing its holding to 5m (10.08 per cent).

Cowan de Groot — Mr Jonathan Samuelson, deputy chairman and chief executive, has raised his beneficial interest to 4.2m ordinary (16.7 per cent) with the acquisition of 547,257 at 60p each. Of these, 400,000 were bought from Mr John Carr and his family interests.

Fairey Group — Standard Life Assurance Company and Standard Life Investment Funds have purchased 500,000 ordinary to take their holding to 2.75m (8.33 per cent).

Fleming Mercantile Investment Trust — Barclays Bank Pension Fund has lifted its holding to 8.5m shares (5.88 per cent) with the acquisition of 1.75m. The shares are registered in the name of Barclays Nominees (George Yard).

GT Japan Investment Trust - Sun Life Assurance Society and its discretionary managed clients now hold 3.89m shares or 12.45 per cent.

Hartwell - Cresscombe has bought 500,000 shares and now owns 12.27m voting (15.6 per cent). The beneficial owner is Mr Abdul Latif Jameel.

Hewetson - M & G Investment Management has raised holding to 5.39 per cent.

Ketson — Mr Jeremy Bond, deputy chairman, now holds beneficially and non-beneficially 2.36m shares (12.87 per cent) following acceptance of his entire holding of shares in Moorgate Group, recently acquired by Ketson.

M&G Group — the company has bought a further 500,000 of its own shares at 274p each, bringing its cumulative total to date to 2.04m.

Memory Computer - Family settlements established by Mr Roger Abraham have increased their holdings so that aggregate non-beneficial and beneficial interests amount to 11.61m shares (29.9 per cent). Some 4m of the shares are subject of an option agreement to executive directors.

Neepsend - Mr and Mrs HR Sykes have acquired 769,000 ordinary (5.7 per cent) at 48p per share.

Peek - The British Coal Staff Superannuation Scheme and Mineworkers' Pension Scheme have reduced their holding to 13.98m ordinary shares (from 5.79 to 4.98 per cent).

Planning Research and Systems — Finance Land and General Holdings has disposed of 300,000 shares (6.56 per cent).

Precious Metals Trust - National Westminster Bank is interested in 738,393 share (6.11 per cent). *NatWest Investments* Bank holds 730,000 of the shares.

Premier Consolidated Oil - Burmah Oil is now the beneficial owner of 115.66m shares (29.86 per cent).

Rowe Evans Investments - Mr E Hadsley-Chaplin, director, transferred 25,000 shares to a family trust, leaving his beneficial interest now at 2.69m shares (6.72 per cent).

Sterling Publishing - Mr JD Moser has sold 40,000 ordinary thus reducing the holding of JD Moser 1986 Settlement to 270,000. His beneficial interest is cut to 7.6 per cent.

Sturge Holdings — Mrs Joan Maughan, wife of director Mr MJH Maughan, has sold 100,000 ordinary for an average 235p each.

Wardle Storeys - The shares held in the discretionary investment portfolio managed by Mercury Asset Management Group have been increased by 225,000 ordinary to 3.95m (16.19 per cent of total voting rights).

Watts Blake Bearne — Ceramic Holdings has increased its holding to 3.77m ordinary (18.49 per cent) with the acquisition of 125,000. The shares are registered in the name of Credit Suisse London Nominees.

Prism Leisure warns of slowdown

Prism Leisure Corporation, the USM-quoted recorded music and computer games distributor, lifted interim taxable profits 16 per cent to £318,000. But the chairman warned that the group was unlikely to match last year's profit of £663,000.

Interim dividend is 1.5p (1.46p).

UK COMPANY NEWS

Acquisitions funded by £35m Eurosterling convertible issue

Albert Fisher expands in Europe

By Vanessa Houlder

ALBERT FISHER, food distributor and processor, is moving further into continental Europe with the acquisition of Horstmann, a West German-based fresh produce distributor and Uyttewaal, a vegetable processor in The Netherlands.

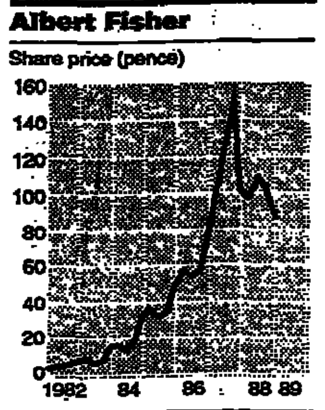
The purchases, which initially will cost a total of £21m, will principally be satisfied in cash, financed by a £35m issue of Eurosterling convertible preference shares.

In addition, £3.1m of new Albert Fisher shares will be issued.

This is the first time that Albert Fisher has looked outside the UK investment community for funds. It follows a commitment by the board to adopt a "frugal approach" to the issuing of paper, following a dull performance by its share price.

Albert Fisher

Share price (pence)



Mr Tony Millar, chairman, said he was trying to broaden Albert Fisher's investor base. He was also looking at the possibility of issuing shares on the Brussels and Amsterdam markets or taking a NASDAQ listing in the US.

These are the latest in a series of acquisitions on the Continent made by Albert Fisher since July 1987.

As a result, the group has secured a strong base in The Netherlands, which is the focus of its operations for the import and distribution of fruit and vegetables within The Netherlands, West Germany, the Eastern Bloc, Scandinavia and the UK.

Albert Fisher is one of a handful of UK companies, including Unigate, Hillsdown Holdings and Polly Peck International, that have recently moved into the highly fragmented market for the distribution of fresh produce in continental Europe.

The acquisition of Horstmann for DM 37.5m (£11.5m) will expand the Continental operations into Western Germany.

The purchase of Uyttewaal for Fl36m (£9.5m) will broaden its product base into added value vegetable products in The Netherlands. There may be further payments, dependent on profits.

The preference shares will be converted at any time before June 2004, at a rate expected to be between 12 per cent and 16 per cent above Albert Fisher's share price on the day the price is fixed.

Full conversion of the shares would result in the issue of shares representing about 10 per cent of its share capital.

● Perkins Foods, the USM-quoted group, yesterday announced that it was expanding its operations in continental Europe, with the acquisition of Nuka Holdings, a frozen food company, for an initial sum of Fl 5.86 m (£1.59m).

Nuka, which sells frozen fruit, vegetables, fish and potato products, operates from Breda in *The Netherlands* and Grenaa in Denmark.

The deal follows Perkins' £38.6m acquisition last August of Hagé, one of the largest importers and distributors of fresh fruit and vegetables in The Netherlands.

Kenyon profits advance 45% halfway

By Andrew Hill

KENYON Securities, the USM quoted funeral director, increased pre-tax profits by 45 per cent to £928,000 in the six months to September 30, compared with £638,000 in the equivalent period.

Profits rose despite a lower than expected death rate, especially at the beginning of the financial year.

However, earnings per share fell from 6.2p to 4.3p following reorganisation of the coffin-making business – which is now *concentrated on a single* site in Upton-upon-Severn – and acquisitions at the beginning of the first six months, traditionally the weaker half for funeral directors. The interim dividend is again 2p.

The group's shares, which have fallen from a high of 302p to as low as 138p in the last 12 months, dropped 10p to 153p yesterday.

Kenyon's turnover rose 66 per cent to £7.2m (£4.34m) and *operating profits* were up 72 per cent to £1.12m. But an increase in borrowings to pay for the acquisition of eight funeral businesses during the period meant interest charge rose from £10,000 to £190,000.

Those borrowings were eliminated by the proceeds of a £6.7m rights issue in September.

The group's emergency services division, which helps the authorities in the recovery and *identification of disaster* victims, worked at the Piper Alpha oil rig explosion during the half-year. Since then, the division has been helping at the scene of the Clapham rail crash, and the Lockerbie and M1 air disasters.

Mr Michael Kenyon, chairman, said the benefits of rationalisation and recent acquisitions should come through in the second half.

Renown arranges £60m credit facility

By Steven Butler

RENOWN ENERGY, the independent oil company owned 50 per cent each by Kleinwort Benson, the merchant bank, and Consolidated Gold Fields, the mining group, has arranged a £60m, ten-year credit facility to finance development costs and acquisitions.

Mr Peter Elwes, managing director of Renown, said the facility represented a commitment by both partners to expand the business at a time when many non-oil companies have been selling off oil properties.

The facility, which was arranged by Kleinwort Benson with a mandate awarded to Barclays Bank, is arranged in three tranches.

The funds may be drawn as unsecured corporate credits for development purposes, and these may, if certain conditions are met, be changed to non-recourse finance secured by specific developments.

Up to £15m can be drawn for acquisitions, although Mr Elwes said these were likely to consist of asset purchases, not corporate takeovers.

Renown, formerly Kleinwort Benson Energy, was created in its present form at the end of 1987, when Consolidated Gold Fields injected £42m to match the assessed value of the company, and took a 50 per cent interest.

Following a three-year period, each company may elect to redeem or convert to loan stock. It is expected that this could result in Consolidated Gold Fields taking control of the company.

Renown holds a wide spread of relatively small interests in North Sea license blocks, and has a range of overseas interests.

It aims to take largers shares of licenses in future *awards, and is participating* in current license rounds in the UK and in the Netherlands.

Mr Elwes said Renown was intent on growing rapidly, and that a stock market quotation was contemplated for the future.

Applied Holographics' losses more than double to £0.99m

By Clare Pearson

LOSSES OF USM-quoted Applied Holographics more than doubled to nearly £1m in the six months to end-September. But the company claimed this masked advances made in securing continuing orders for mass-produced holograms.

Sales were sharply down to £476,165 (£1.27m), ascribed to forward orders from the US toy industry drying up after the 1987 stock market crash. Most of the current year's first-half turnover derived from a long-term order from the British Association of Payment Clearing Services for the supply of holograms for new cheque guarantees.

Mr Ozzie Boxall, chairman, said this order, together with other developments, led him to "anticipate substantial sales being generated in the next financial year." He said interest in holograms was now being shown by a wide range of industry sectors.

As well as turning Applied Holographics of the US into a wholly-owned subsidiary during the period, the company acquired last September the outstanding 50 per cent of Transfer-All Purpose Films, which makes hot-stamping foils.

It also established a manufacturing bureau at Tyne and Wear, and made a move to attack the retail market with the development of Lumiere, a hologram display unit incorporating lighting. Last November, it announced an agreement with Courtaulds Speciality Products to collaborate on the development, production and promotion of acetate film-based holograms.

Operating losses came out at £1.26m (£369,385). The share of losses of related companies fell to £91,974 (£152,522).

After a nil tax charge, the loss was £997,451 (£416,396). The loss per share was 7.1p (3.7p).

Pensions booster for Sun Life

By Nick Bunker

SUN LIFE Assurance pushed sales of new annual premium policies up 40 per cent to £87.5m *last year, reflecting* twin booms in sales of retirement annuities and the new-style personal pensions which came on the market on July 1.

New annual premiums from pensions business rose 47 per cent altogether, to £63.6m, including a 69 per cent jump in premiums under money purchase schemes, mainly due to *sales of policies to people con*tracting out of the State Earnings Related Pensions Scheme (Serps).

Since July 1, Sun Life has sold 9,000 of the new personal pensions plans, of which about 75 per cent were being used to contract out of Serps. In total, new annual premiums from personal pensions were up 76 per cent at £8.8m.

As expected, Sun Life's sales of single premium policies, which are primarily vehicles for lump-sum investments in equities, fell susbstantially, from £627.5m to £406.8m, mainly reflecting the one-off runaway success of the group's Anniversary Bond product in 1987.

Property provides froth as Gibbs Mew hits £1.5m

GIBBS MEW, the USM-quoted Wiltshire-based brewer and commercial property developer, reported turnover of £10.1m and pre-tax profits of £1.55m for the six months ended September 30 1988.

The directors stressed that the figures were significantly different from the previous year, when turnover was £7.55m and taxable profit £599,000, following the acquisition of 91 public houses (105 purchased, less 14 sold) from Grand Metropolitan.

Also Bridger Properties contributed to profits in the period rather than the second half. A further contribution is not expected for the year.

Brewery profits were substantially ahead but interest charges moved up from £223,000 to £1.01m mainly as a result of the acquisition.

Current trading continued to be satisfactory, they said and the management was taking particular care to ensure expenditure was strictly controlled.

Earnings for the half-year surged to 21.91p (7.04p). The interim dividend is raised to 1.75p (1.5p) while the special property payment is again 1p.

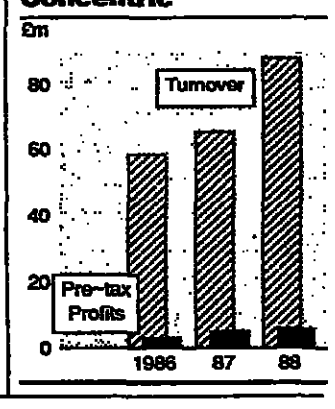
Trading losses occurred at William Seymour, the soft drinks subsidiary, and agreement has been reached for its sale.

CORRECTION

Concentric

The chart published with the article on Concentric in yesterday's edition incorrectly represented the progress of the company's pre-tax profits. The correct chart is published below.

Concentric



News Digest

CENTRAL MOTOR

Auction proceeds well ahead

REFLECTING particularly buoyant trading throughout the period, Central Motor Auctions reported a 69 per cent surge in profits to £1.26m pre-tax for the year ended October 31 1988.

Auction proceeds advanced 40 per cent to £182.24m and operating profit rose 36 per cent to £944,000.

Earnings rose to 9.08p (6.31p) and the final dividend is 2p *for a total of 2.75p, against 2.5p* forecast in last April's prospectus.

The directors said the USM company had started the current year well with continued buoyant trading.

SPLASH PRODUCTS

Boost from acquisitions

Substantial contributions to turnover and profitability from Movie and Media Marketing and Cerex Jewels helped pre-tax profits at Splash Products soar from £262,000 to £937,000 in the year to the end-October 1988.

Turnover at this USM-quoted printer and marketer of *T-shirts* and fashion garments increased by 66 per cent to £6.66m (£4.01m). The comparative figures for the year to October 31 1987 have been restated to reflect the acquisition of MMM.

Tax rose to £315,000 (£76,000) and earnings per 10p share came out at 6.43p (2.88p). The directors proposed a raised final dividend of 1.5p making *a total of 3p* (2.2p).

MARTIN SHELTON

Acquisition fails to boost profits

A modest increase in interim profits was reported by Martin Shelton Group, USM-quoted manufacturer of diaries, calendars and related products. The taxable figure rose from £63,000 to £67,000 on turnover ahead 19 per cent from £857,000 to £1.02m.

Directors said the aquisition of Coleprint in March had not immediately resulted in the expected profits and flattening of cyclical trends. The interim dividend is held at 0.5p on earnings per 10p share of 0.88p (0.9p).

ST ANDREW TRUST

Earnings and dividend lifted

In 1988 St Andrew Trust lifted earnings from 4.5p to 5.22p, and is paying a final dividend of 3.25p for a total of 5.05p, against 4.2p.

At December 31 the net asset value stood at 213.8p, down from the 223.6p of end-June but ahead of the 191.2p a year earlier.

The 1988 gross revenue came to £3m (£2.6m), with franked contributing £1.9m (£1.52m). Pre-tax income was £2.58m (£2.24m).

GRP DEVELOPMENT

NAV slips but profits soar

Group Development Capital Trust saw its net asset value per ordinary share slip from 36.4p to 35.5p in the year to the end of September. At March 31 1988 the net asset value was 35.4p.

Gross revenue investments leapt from £73,018 to £521,369 and pre-tax profits were up sharply at £327,327 (£31,709). Earnings per 10p share increased to 0.91p (0.09p) and the directors have proposed to raise the final dividend to 0.7p (0.06p).

BCE HOLDINGS

Higher interest charges bite

Interest charges hit the first half profits of BCE Holdings, USM-quoted manufacturer of snooker and pool equipment.

With the current high rates, coupled with continuing difficulty in the UK market, the directors felt the outcome for the full year was uncertain.

In the six months to September 30 1988 turnover rose to £6.06m (£4.27m) and trading profit to £420,000 (£304,000). Interest charges soared to £327,000 (£202,000) to leave the pre-tax profit at £93,000 (£102,000).

Earnings were down to 0.18p (0.28p) but the interim dividend is held at 0.4p.

Exports account for over half of turnover.

SELECTIVE ASSETS

Pre-tax revenue of £591,000

Selective Assets Trust, the Ivory & Sime-managed investment trust set up and listed in March 1988, reported revenue before tax of £591,000 for the 10 months to its year-end on December 31.

Total income was £2.41m with income from shares and securities of £2m and interest received at £408,000. Interest payable and expenses came to £1.82m. Earnings per 10p share were 1.52p and the final dividend is 0.55p.

The directors believed this was an encouraging start, *though they added that it was* a relatively short period over which to measure performance.

SOUNDTRACS

Continuing export success

With the arrest in the second half of a sales decline in North America, combined with continuing export success in other markets, Soundtracs reported both profits and earnings 19 per cent ahead in the year to November 6 1988.

Pre-tax profits at this USM-quoted manufacturer of audio equipment rose to £822,344 (£691,303) and were struck on sales lifted 25 per cent to £3.65m (£2.91m). Earnings rose to 5.32p (4.45p) per 5p share and a final dividend of 1.5p (1.2p) brings the total for the year to 2.2p (1.9p).

GREENFRIAR INV

Assets rise by 31.8p

Net asset value per 25p share of the Greenfriar Investment Company amounted to 357.2p at December 31, an improvement of 31.8p on the previous year's figure which assumed full conversion of the outstanding warrants. These were exercised on April 1.

Net revenue for the 12 months rose to £401,726 (£318,354) after tax of £160,363 (£144,310). Earnings emerged at 4.18p (3.94p) and the dividend is being stepped up to 3.05p (2.5p).

DUNCAN LAWRIE

Advance of 18% to £0.91m

Duncan Lawrie, the private banking arm of Walter Duncan Goodricke, boosted profits by 18 per cent to £907,189 before tax last year.

The increase in profits was fairly evenly distributed over the different parts of the business, particularly the *pensions side*.

The banking division achieved considerable growth with assets exceeding £100m for the first time.

PRIMADONA

Sharp move into the black

Improvement in investment income helped Primadona, the investment trust, move sharply back into the black and increase its net asset value from 125.4p to 171.6p in the six months to December 30. This compares with 160p at September 30.

Pre-tax profits were £68,974 (losses of £132,371) with investment income ahead at £79,095 (£39,296). *Trading* profits were £18,662 (losses £151,742).

Earnings per share worked through at 1.53p (losses 2.9p) and the interim dividend is held at 1.25p.

J & J DYSON

Vehicle side turns round

J & J Dyson, the Sheffield-based refractories, building suppliers and vehicle manufacturing group, reported interim pre-tax profits of £872,625, up from £551,000. Turnover for the six months to end-September was up from £23.7m to £24.1m.

Refractories, the group's major profit earner, contributed £635,568 (£499,539). Motor vehicles made £153,314, against a deficit of £34,343.

Earnings per share were 4.98p (2.8p). The interim dividend is maintained at 2p.

COMMODITIES AND AGRICULTURE

Quotas shake up dairy industry

Bridget Bloom studies the logic of the Unigate/Dairy Crest deal

IF PROOF were needed that the European Community's attempts to reform the dairy sector are having a major effect on the dairy industry itself, it came yesterday with the news that two of Britain's biggest manufacturing companies have decided to rationalise their operations.

Through a complex deal which involves the sale of one major creamery and the purchase of seven dairy plants, Dairy Crest, wholly owned by the Milk Marketing Board of England and Wales, is to increase its share of doorstep and other supplies of fresh milk from 6 to 16 per cent of the UK total.

Dairy Crest, Britain's largest dairy produce manufacturer, is buying the milk processing plants - effectively dairies, scattered in the Midlands and East Anglia, from Unigate, one of the UK's big five dairies. That company is in turn buying a £23m creamery from Dairy Crest at Chard, in Somerset.

At first glance, the £126m net deal is easier to understand from Unigate's point of view than from Dairy Crest's. Unigate has suffered a drop in profitability recently which appeared to put it at the mercy of predators. The sale of nearly 50 per cent of its fresh milk business could give it cash and a breathing space. It could also afford it, in the words of Mr John Clement, its chairman, the ability to concentrate on growth in other, more profitable sectors in future.

Dairy Crest, on the other hand, might seem in danger of buying into just that sector in which there is least growth, since consumption of fresh milk is stable in Britain, with doorstep sales on a gentle decline.

At bottom, both companies are reacting to the major changes which have taken place in the dairy industry since the EC introduced quotas to control the overproduction of milk in April 1984. The changes directly attributable to quotas are marked. Milk production itself, Brussels estimates, would today have been around 121m tonnes, instead of some 103m tonnes across the EC had it not been for quotas. Stocks of butter have declined from a peak of 1.3m tonnes to less than 200,000 tonnes. Skimmed milk powder stocks have been eliminated, with shortages developing.

This has radically changed the climate in which dairy companies operate. Dairy Crest, for example has seen its £130m business selling such surpluses into so-called intervention stores decline to only £25m last year.

There are longer term changes afoot, too. According to Mr Michael Landymore, dairy industry analyst at Henderson Crosthwaite, yesterday's deal would probably not have been struck if Dairy Crest, in particular did not feel that the writing was on the wall for the monopolistic arrangements governing the pricing and marketing of milk in Britain.

Yesterday, senior executives of both companies cautiously emphasised the need for better balance in their operations, with Mr Geoffrey John, chairman of Dairy Crest, describing the deal as "our most significant transaction to date" which was aimed at giving the company strategic and competitive advantage into the 1990s.

For Dairy Crest, the key need now is felt to be to increase its share of the liquid milk market, to give better balance with its manufactures of dairy products. Ironically, Dairy Crest was effectively formed ten years ago when the Milk Marketing Board bought 16 creameries from Unigate (one of these was Chard, now returned after heavy investment in modernisation). In the years of milk surpluses, the creameries did well, but a year ago it was announced that five would close at a cost of some £25m.

The company has not only felt the loss of its intervention business but had become heavily dependent on relatively low margin products, like cheddar cheese and butter. Additionally, while the liquid milk market is stagnant, it is felt to be an important generator of cash, as well as affording an enhanced distribution network for an increasing range of more sophisticated products, from yoghurts to soft cheeses which Dairy Crest now produces, or intends soon to produce.

However, in the somewhat longer term, Dairy Crest clearly believes that a better balance will be vital.

The Milk Marketing Boards in the UK have a monopoly of milk purchases from the country's 33,000 dairy farmers. However, together with the dairy industry, the MMBs also fix prices not just of liquid milk but of milk destined to make butter, and other products. They can thus determine the price structure of the market and, of critical importance just now at a time of relative shortage, the distribution of raw milk to its various users.

Many observers believe that the monopoly powers of the Boards are threatened by the recent EC regulations which allow, as from last November, the free import (and export) of fresh pasteurised milk from Britain's Community partners. They also note that the Thatcher Government is ideologically opposed to monopoly marketing arrangement and is already examining the Marketing Boards for Potatoes and Wool. (It remains to be seen how it will view the further extension of what is effectively a producers cartel under the present deal: Dairy Crest was required 18 months ago to operate completely independently from its only shareholder, the MMB.)

However, if yesterday's deal (still to go before shareholders and the Office of Fair Trading) is clearly an attempt to navigate stormy waters ahead, a number of questions remain. Not the least of these is whether Britain's dairy farmers, who ultimately control the MMB, will benefit from it. Farmers obviously feel secure if they are in charge not just of the cow but of the retail outlet for their product. But yesterday, neither company would say what the profitability of the seven dairy plants was, though Unigate made it quite plain that they did not represent a growth area.

Chilean mine tries to cut explosion losses

By Barbara Durr in Santiago

OFFICIALS AT Chile's vast Chuquicamata copper mine are attempting to minimise losses after the explosion that crippled the mine's new flash furnace.

They say they are considering an investment in new equipment to increase capacity with their remaining four older ovens.

The currently estimated loss of 3,000 tonnes attributable to the explosion results from the lower amount of sulphuric acid produced as a by product, compared with that of the larger flash smelter. The sulphuric acid, processed by a plant adjoining the flash oven, is used to leach copper from waste dumps.

Without the flash oven, sulphuric acid production has fallen from 1,720 tonnes per day to just 550 tonnes per day. Production at the leaching plant has so far fallen by about 50 per cent, one official said.

Mr Marcelo Villouta, deputy director of the mine, calculated the losses on the basis that it will take two months to repair the flash furnace. He has discounted within those 60 days, 40 days that were pending for maintenance of the smelter, with the result that losses actually represent only 20 days of inactivity at the flash oven. Officials admitted, however, that repair of the flash oven could take longer.

Mr Villouta also corrected Chuquicamata's 1989 total production target. He said the mine, the world's largest, would produce 660,000 tonnes of fine copper, a decrease of 40,000 tonnes from an earlier unofficial estimate. He said last year's production was just 519,000 tonnes, not 538,000 tonnes, as previously reported.

While the flash oven is overhauled, Chuquicamata's economic losses, apart from reduced production, will correspond to the difference in price between selling 45,000 tonnes of concentrates instead of 15,000 tonnes of cathodes.

The smelter accident is still being investigated. Engineers from Outokumpu, the Finnish company that designed the oven, have been assisting in the investigation. The $83m oven was built in Chile under the supervision of Outokumpu.

The cause of the explosion, which blew the top off the furnace, was contact between molten copper and water. It occurred during an electrical power failure. Not only did the main electricity system stop, but the back-up system shut down for an undetermined reason. In those critical moments, when the electrical pumps for the oven's cooling system could not work, panicked workers turned waterhoses on the oven. A report on the accident is due in about another ten days.

Some 32 Outokumpu flash ovens are operating around the world, including in West Germany, the US, Japan, the Soviet Union, Korea, India, Australia and Brazil. Officials said that, while there had been problems with other ovens, none had suffered an explosion to their knowledge.

Mr Carlos Damiani, chief engineer at the flash furnace, contended that the smelter was none the less "a good investment" and that the problems the mine had with its start-up were less related to the oven itself than with other related equipment, especially the boiler.

The new smelter helps diminish pollution, a serious problem for the mine that led to a 1986 law suit by labour unions.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	+6,200	to 147,400
Copper Grade A	+3,575	to 76,125
Lead	−25	to 59,675
Nickel	−396	to 6,084
Zinc	-3,000	to 38,450
Tin	−490	to 4,745
Silver (oz).	unchanged	at 14,644,000

MacGregor faces deafeat on beef reform

By Tim Dickson in Brussels

MR JOHN MacGREGOR Britain's Agriculture Minister last night looked to be in danger of losing an important battle over beef reform as ministerial negotiations on a complex farm policy package got under way in Brussels.

The long-standing proposals for cutting the costs of the beef regime were being discussed by European Community Farm Ministers along with five other items (including a radical scheme for direct income aids for the EC's poorest producers) left over from December's unsuccessful Agriculture Council.

Since that meeting, however, the European Commission appears to have moved to "buy off" some of the opposition to the six linked measures, notably a Danish concern about the milk super-levy and at least some of Ireland's reservations about the extent to which the EC will provide a "safety net" as guaranteed buyer in the beef market.

A Council of Ministers spokesman said last night that in their first discussion of the slightly revised package the member states had reached "conditional" agreement on the income aids plan - hitherto fiercely opposed by Mr Henri Nallet, the French Minister, on the grounds that the national payments possible under the proposed scheme were being fixed too high.

No signs were emerging, however, of any willingness on the Commission's part to satisfy Mr MacGregor's demand for a lifting of the headage limit for payments under the new special premium, which is being introduced to replace Britain's variable slaughter premium.

A new paper issued last night showed that the Brussels executive was sticking to its original plan for payments of Ecu 40 per animal up to a herd limit of 75, dropping slightly more advantageous compromises floated in the last few weeks.

The position of Mr Michael O'Kennedy, the Irish Minister, was also delicate. While the "safety net" arrangements had been made more generous by a slight increase in the "trigger" price for intervention, the Commission was not budging from the new limit of 200,000 tonnes per year for guaranteed EC purchases.

Last night's discussions were quite separate from any negotiations on the Commission's 1988-89 farm price proposals, announced last week and due to be formally presented to Farm Ministers today.

EC plan would put grain growers through the mill

FARMER'S VIEWPOINT

By David Richardson

THE CURTAIN went up on the European Community's annual farm price drama last week when the European Commission presented its opening proposals for the 1989-90 package. Over the comings weeks and months the plot will undoubtedly be thickened by the special pleadings of Agriculture Ministers from many of the 12 member countries, and by the time the final scenes are played out - probably not before early summer, if past experience is any guide - the proposals will have undergone some significant changes.

It seems likely, however, that the main thrust will survive and, more to my particular point, that I shall find it even more difficult to show a profit from arable farming.

On the face of it the "price freeze on most commodities" put forward last week by Ireland's Mr Ray MacSharry, the new Agriculture Commissioner, might not have sounded too severe. But that bland statement ignored, for instance, the "budget stabiliser" arrangements, introduced last year, which will automatically cut cereal support prices by 3 per cent if, as seems probable, the EC's harvest exceeds 162.5m tonnes.

Neither does it recognise the fact that EC cereal prices have already been reduced by 20 per cent to 25 per cent during the last four years while over the same period UK production costs have risen, in spite of economies on labour and other inputs, amounting to at least 15 per cent. The increase in costs has been exacerbated by Britain's high interest rates now running at more than twice the level of those in most other EC countries.

That means that on farms like ours where a rent or rental equivalent must be paid and where we are involved in modest borrowings for working capital, it has become almost impossible to make a profit from producing cereals. Any rise in costs or cut in end price, therefore, pushes us into losses.

The Agriculture Commissioner did concede that UK farm incomes had fallen by 10 per cent last year. But he justified his price package by stressing the need for continued budgetary restraint and the small increases in farm profits in West Germany, Spain and Ireland - countries where national aids to farmers are more readily available and where the patterns of production are quite different to those in Britain.

He then announced, however, a proposed 5 per cent cut in the price of sugar, not because sugar beet support arrangements cost the Community a great deal; they are, in fact, almost self-financing. Neither was the proposal in response to a serious surplus; stocks have come down significantly over the past year. The reasoning appeared to be simply that profits from growing sugar beet were too high compared with cereals.

On our farm it means that the one crop that has consistently produced a modest profit over the years will now be less secure. And the erosion of profitability all round may force us to consider joining the new set-aside scheme next year and to think of taking £80 per acre from the EC in return for saving land bare.

Indeed that is presumably what Mr MacSharry would like us to do.

The EC is still producing 20m to 25m tonnes of cereals a year surplus to community requirements. This all has to be exported to third countries at world prices and in the past the cost of subsidising such exports has often been equal to the value of the commodity.

Last year the world price of grain rose by 50 per cent to $90 a tonne as a direct result of the drought in the American mid-West. That narrowed the gap between world prices and community support levels and so resulted in a substantial reduction in EC export subsidies, or restitution payments as they are called. Export demand increased and the quantity of grain in EC intervention stores has been cut to 4m tonnes. Total carry-over stocks of cereals from the current crop year to next which begins on July 1 are now expected to amount to just five weeks' supply.

On a wider scale, the UN Food and Agriculture Organisation and other authoritative bodies long ago agreed that for the world to enjoy food security it was necessary for 60 days' supply of cereals to be stored and carried over from one harvest to the next.

Current estimates by the US Department of Agriculture, the International Wheat Council and the FAO itself put the likely carry-over equivalent at 53 or 54 days' supply.

Last year's disastrous US drought brought matters to a head, but it was by no means the only cause of falling stocks.

Drought losses exaggerated a trend that was already established. World production of wheat, for instance, has barely kept pace with consumption over the last four years. This year total production is predicted by the IWC to be about 500m tonnes while consumption is expected to be 530m tonnes.

If those figures are confirmed carry-over stocks will be cut to 98m tonnes by the end of this year.

The production and consumption of coarse grains world wide have shown a similar trend.

After peaking at 865m tonnes in 1985-86, production has since fallen to 804m tonnes last year and is expected to be only [illegible] tonnes this year. Meanwhile world consumption has increased from around 800m tonnes in the mid-1980s to an anticipated 830m tonnes this year. Stocks have virtually halved to 119m tonnes.

By the end of this year, therefore, world grain stocks are likely to be at critical levels. The re-cropping of 30m or so acres of US land previously set aside but now released from the USDA's acreage reduction programme will redress the balance. But the FAO says that in order to maintain grain stocks at their present depleted levels, the world must produce 13 per cent more grain this year than from last year's harvests.

I do not believe this is a possibility.

Meanwhile the legacy of 1988 remains. Much of the dry land in the American Midwest, and in the prairie provinces of Canada is still suffering from last year's drought and will almost certainly produce poor yields again this year. And there are serious problems in other grain-growing areas of the world.

China and the Soviet Union will be forced to import substantial amounts of grain and the US, Canada and Argentina may be unable to supply the necessary tonnage without penalising other regular customers. Meanwhile the population of the world is increasing at 85m to 100m per year and the production of food is not keeping up with the extra mouths that need feeding.

I assume these statistics are available to Mr MacSharry and his advisers in Brussels. Yet they must have been considered during the formulation of their proposals for European farm prices. Perhaps they did not see in them the start of a major crisis with world grain supplies failing to satisfy demand by a considerable margin within the next few years.

In any event by forcing people like me to consider a policy of set-aside he has continued along a path, laid by his predecessor, which will lead to a significant reduction in European cereal production at the very time when the world may need it most.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices continued to advance on the LME yesterday, closing at new records. Traders said news that production resumed late last week at Italian producer Nuovo Samim Spa's zinc refinery in Sardinia after a 25-day shutdown had little direct impact. The market took more notice of talk of possible labour unrest in Mexico and a possible reduction in Japanese first quarter smelter output through lack of feed from Australia because of delays in agreeing supply contracts. Nickel prices were also higher, with the profit-taking expected once three-month metal breached $18,000 a tonne failing to materialise. Cocoa prices remained flat as the International Organisation talks resumed in London.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.35-4.45z	-0.32
Brent Blend	$16.70-6.80w	-1.05
W.T.I. (1 pm est)	$17.63-7.68z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	
Gas Oil	$145-146	-6
Heavy Fuel Oil	$74-76	-3
Naphtha	$158-160	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$407.50	+2.25
Silver (per troy oz)♣	620c	+13
Platinum (per troy oz)	$541.50	+7.75
Palladium (per troy oz)	$139.90	+1.40
Aluminium (free market)	$2325	-10
Copper (US Producer)	156⅝-63c	-1¼
Lead (US Producer)	40c	
Nickel (free market)	860c	+20
Tin (European free market)	£4317.5	-7.5
Tin (Kuala Lumpur market)	20.30r	+0.09
Tin (New York)	347.1c	
Zinc (US Prime Western)	76⅞c	+⅛
Cattle (live weight)†	110.18p	-0.67*
Sheep (dead weight)†	142.37p	-8.11*
Pigs (live weight)†	78.20p	+1.46*
London daily sugar (raw)	$249.4x	-0.8
London daily sugar (white)	$280.0x	
Tate and Lyle export price	£248.0	-1.5
Barley (English feed)	£115.5w	
Maize (US No 3 yellow)	£132.5	
Wheat (US Dark Northern)	£125.6v	
Rubber (spot)♥	61.00p	
Rubber (Feb)♥	68.75p	
Rubber (Mar)♥	69.00p	
Rubber (KL RSS No 1 Feb)	307.0m	+2.5
Coconut oil (Philippines)§	$520x	+5
Palm Oil (Malaysian)§	$360.0x	
Copra (Philippines)§	$360	
Soyabeans (US)	$182	-2
Cotton "A" index	63.80c	
Woottops (64s Super)	680p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May u-Feb/Apr. q-Apr x-Feb/Mar †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	855	858	865 846
May	865	865	870 855
Jul	856	850	868 850
Sep	856	850	863 848
Dec	873	868	875 860
Mar	878	876	880 868
May	890	896	887 876

Turnover: 7927 (16614) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 19: 1056.48 (1023.18):10 day average for Jan 20: 1052.97 (1058.81).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1215	1210	1225 1201
Mar	1206	1193	1208 1184
May	1160	1159	1167 1145
Jly	1152	1149	1155 1140
Sep	1147	1145	1145 1136
Nov	1149	1143	1145 1131
Jan	1150	1150	1138 1136

Turnover 4023 (4895) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 20 Comp. daily 128.17 (124.53); . 15 day average 129.15 (129.82)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	220.80	224.20	224.40 218.40
May	225.20	227.20	227.60 223.00
Aug	222.60	224.00	224.00 220.60
Oct	219.60	220.80	221.00 218.00
Dec	216.40	217.60	217.00
Mar	214.60	216.00	214.00 212.60
White	**Close**	**Previous**	**High/Low**
Mar	273.00	274.00	274.00 270.00
May	266.50	267.50	267.00 264.00
Aug	265.50	267.00	265.00
Oct	259.50	260.50	261.00 257.50

Turnover: Raw 3641 (1425) lots of 50 tonnes. White 865 (1534)
Paris- White (FFr per tonne): Mar 1696, May 1660, Aug 1655, Oct 1630, Dec 1620, Mar 1610

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2200	186	186	24	90
2300	117	135	54	138
2400	67	94	103	194
Copper (Grade A)	**Calls**		**Puts**	
3000	407	339	36	187
3200	263	244	89	298
3400	154	172	178	421

TEA

There were 18,242 packages on offer including 3,200 offshore, reports the Tea Brokers' Association. Assams came to a more selective market with prices showing some irregularity but little change overall. Africans met improved support at fully firm rates and brighter liquoring teas proved dearer, substantially. Ceylons attracted good competition at firm to dearer rates. Offshore teas met only fair demand with prices about steady where sold. Quotations: quality 149p nominal (150p), medium 116p (118p), low medium 86p (84p)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,200 tonne
Cash	2354-8	2355-60	2330	2325-30		
3 months	2320-2	2318-20	2335/2290	2291-2	2333-5	22,899 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,950 tonne
Cash	1948-50	1934-6	1928/1924	1925-6		
3 months	1838-40	1833-4	1843/1829	1829-31	1842-3	64,958 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	613-6	601-4		611-2		
3 months	626-9	614-7		626-8		419 lots
Lead (£ per tonne)						Ring turnover 5,575 tonne
Cash	374-6	375-6	375.5	375-6		
3 months	376-7	377.5-8	378/376	377-7.5	376-7	9,785 lots
Nickel ($ per tonne)						Ring turnover 750 tonne
Cash	19000-100	18600-50	18900/18850	18850-900		
3 months	18350-75	17700-800	18500/18000	18200-300	18500-700	5,987 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,225 tonne
Cash	1825-30	1810-5	1832/1825	1832-3		
3 months	1784-5	1755-60	1785/1770	1768-72	1785-95	3,080 lots
Zinc ($ per tonne)						Ring turnover 10,025 tonne
Cash	1780-5	1755-60		1763-5		
3 months	1730-5	1707-10	1742/1720	1725-8	1743-5	11,912 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	60.0	60.0	
Apr	68.5	69.8	69.5 68.0
May	79.0	79.0	79.5 78.0

Turnover 217 (437) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	162.00	160.00	
Apr	163.60	163.00	163.50
Jun	157.00	156.50	156.00
Aug	153.00	152.00	152.50

Turnover 60 (238)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1640	1626	1640 1620
Feb	1652	1633	1652 1610
Apr	1678	1660	1680 1640
Jul	1475	1450	1477 1445
Oct	1585	1575	1585 1580
Jan	1595	1577	1595
BFI	1646	1644	

Turnover 614 (415)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.25	112.10	112.50 112.25
Mar	114.40	114.50	114.45 114.30
May	117.85	117.65	117.85 117.55
Jun	119.35	119.25	119.35 119.15
Sep	102.95	102.75	102.95 102.85
Nov	105.45	105.20	105.45 105.30
Jan	108.80	108.50	108.80 108.60
Barley	**Close**	**Previous**	**High/Low**
Jan	109.00	109.00	109.00
Mar	111.60	111.35	111.50 111.35
May	113.55	113.40	113.55 113.40
Sep	100.40	100.20	100.40 100.30
Nov	102.85	102.75	102.85

Turnover: Wheat 211 (181) , Barley 28 (82) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	407¼-407¾	229½-230
Opening	407¾-408¼	229¾-230¼
Morning fix	407.75	230.524
Afternoon fix	407.45	230.523
Day's high	408¼-408¾	
Day's low	407¼-407¾	

Coins	$ price	£ equivalent
Mapleleaf	419-424	236-239
Britannia	419-424	236-239
US Eagle	419-424	236-239
Angel	419-424	236-239
Krugerrand	406-409	229-231
New Sov.	95¼-98¾	54-54¾
Old Sov.	95¼-98¾	54-54¾
Noble Plat	547.60-561.35	308.70-316.45

Silver fix	p/fine oz	US cts equiv
Spot	348.15	616.25
3 months	356.25	630.40
6 months	369.90	644.90
12 months	390.70	675.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.20	17.00	16.60 16.15
Apr	15.97	16.69	16.33 15.88
IPE Index	17.15	17.09	

Turnover: 2854 (5208)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	145.75	151.60	148.00 145.50
Mar	144.00	149.50	147.00 143.75
Apr	141.00	145.75	143.50 140.75
May	137.75	142.25	140.25 137.75
Jun	136.50	140.25	138.25 135.25
Jul	136.00	140.50	138.25 136.00

Turnover 7024 (9034) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	407.8	406.5	0	0
Feb	408.5	409.3	409.8	408.0
Mar	411.0	411.8	0	0
Apr	413.5	414.3	414.8	413.0
Jun	418.7	419.5	420.2	418.1
Aug	424.2	425.0	425.0	424.5
Oct	429.8	430.6	430.1	429.9
Dec	435.4	436.2	436.8	435.3
Feb	408.5	409.3	409.8	408.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	540.5	543.6	546.5	538.0
Apr	546.5	546.1	550.0	544.0
Jul	541.5	541.6	545.0	539.0
Oct	539.5	539.6	542.0	540.0
Jan	539.5	539.6	0	0
Apr	542.5	542.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	619.4	618.3	620.0	617.0
Feb	621.2	620.2	0	0
Mar	625.5	624.5	629.0	621.0
May	636.0	634.9	639.0	631.5
Jul	647.0	645.7	650.5	643.5
Sep	657.5	656.0	659.0	655.5
Dec	673.1	671.5	676.0	669.0
Jan	677.4	675.8	0	0
Mar	688.9	687.2	687.5	687.5
May	700.2	698.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	157.05	154.15	157.60	157.20
Feb	153.05	150.90	0	0
Mar	149.55	147.85	150.70	146.70
May	137.40	136.50	138.00	135.00
Jul	131.20	129.30	131.30	128.70
Sep	125.70	124.00	125.80	124.50
Dec	121.00	119.70	121.30	119.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.67	18.39	18.22	17.55
Apr	17.19	17.88	17.68	17.10
May	16.98	17.62	17.36	16.92
Jun	16.80	17.40	17.15	16.73
Jul	16.60	17.23	16.95	16.60
Aug	16.49	17.08	16.90	16.45
Sep	16.40	16.96	16.85	16.40
Oct	16.35	16.85	16.80	16.35
Dec	16.25	16.70	16.60	16.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5090	5280	5190	5060
Mar	4900	5098	5010	4898
Apr	4710	4885	4780	4685
May	4555	4672	4610	4530
Jun	4450	4562	4530	4440
Jul	4410	4507	4480	4410
Aug	4530	4558	4530	4530

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1488	1461	1495	1445
May	1448	1425	1458	1419
Jul	1445	1415	1450	1418
Sep	1435	1428	1435	1415
Dec	1425	1424	1425	1400
Mar	1440	1440	1425	1425
May	1455	1455	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	140.85	142.30	142.40	140.50
May	137.43	138.49	138.40	136.00
Jul	135.00	136.00	136.50	134.00
Sep	132.60	133.75	133.50	131.75
Dec	132.20	132.00	132.00	132.00
Mar	132.25	132.63	0	0
May	130.50	130.88	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.82	9.96	9.89	9.68
May	9.90	10.03	9.99	9.82
Jul	9.84	9.92	9.89	9.75
Oct	9.73	9.75	9.75	9.61
Jan	9.67	9.43	0	0
Mar	9.53	9.58	9.58	9.39
May	9.51	9.51	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.01	59.13	59.47	58.75
May	59.40	59.44	59.79	59.10
Jul	59.35	59.43	59.75	59.05
Oct	58.25	58.33	58.33	58.25
Dec	58.00	58.01	58.40	57.85

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	140.80	140.95	141.75	140.55
May	139.75	139.70	140.75	139.20
Jul	140.25	139.50	140.80	139.60
Sep	139.10	139.00	140.50	139.10
Nov	138.50	138.50	0	0
Jan	138.60	138.60	0	0
Mar	138.50	138.50	0	0
May	138.50	138.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	755/4	750/4	757/0	747/0
May	766/0	762/0	768/0	758/0
Jul	773/2	769/6	774/4	765/4
Aug	767/4	765/6	769/0	760/0
Sep	740/0	740/0	744/0	734/0
Nov	721/4	724/2	726/0	715/0
Jan	729/4	732/0	732/0	723/0
Mar	735/0	739/0	737/0	732/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.96	21.55	22.02	21.46
May	22.48	22.06	22.50	22.00
Jul	22.96	22.60	23.02	22.30
Aug	23.07	22.72	23.15	22.75
Sep	23.25	22.90	23.40	22.95
Oct	23.35	23.00	23.40	22.96
Dec	23.60	23.10	23.60	23.10
Jan	23.65	23.25	23.60	23.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	243.6	242.9	244.8	241.5
May	241.1	241.7	243.0	239.0
Jul	238.5	239.2	241.0	236.0
Aug	234.0	235.2	237.0	232.5
Sep	226.7	232.5	232.0	227.5
Oct	221.0	225.0	225.0	220.0
Dec	217.0	221.7	222.5	217.0
Jan	219.0	221.6	222.0	219.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	270/2	267/6	270/6	269/0
May	276/0	274/4	276/6	273/6
Jul	279/2	278/0	280/2	277/2
Sep	270/4	271/4	274/0	270/4
Dec	269/4	271/2	273/0	269/0
Mar	276/4	278/0	279/0	276/4
May	278/6	280/2	282/2	278/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	444/6	445/0	449/2	444/4
May	437/2	437/4	440/0	437/0
Jul	406/2	407/4	410/0	406/4
Sep	413/2	412/0	414/2	412/0
Dec	423/0	422/0	424/6	422/0
Mar	425/0	425/0	426/0	424/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	72.52	72.70	72.90	72.32
Apr	73.42	73.67	73.75	73.15
Jun	72.92	73.35	73.25	72.50
Aug	71.47	71.80	71.80	71.40
Sep	71.00	71.30	71.00	70.80
Oct	70.82	71.07	71.00	70.57
Dec	71.95	71.90	72.05	71.70
Feb	72.00	72.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.32	43.85	43.70	43.15
Apr	42.37	42.85	42.90	42.30
Jun	47.05	47.82	47.50	46.95
Jul	47.67	48.05	48.00	47.52
Aug	47.00	47.42	47.40	46.90
Oct	43.75	43.90	43.90	43.57
Dec	45.25	45.30	45.35	45.17
Feb	46.50	46.75	46.50	46.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.40	40.25	40.22	39.35
Mar	39.97	40.77	40.85	39.80
May	41.75	42.42	42.40	41.57
Jul	42.97	43.52	43.50	42.90
Aug	43.05	43.46	43.50	43.05
Feb	57.47	58.40	58.00	56.65
Mar	56.00	57.00	0	56.00
May	57.00	59.00	0	57.00
Jul	57.00	59.00	0	57.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 20	Jan 19	mnth ago	yr ago
1996.0	1997.6	1919.0	1773.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	140.40	140.50	139.86	133.60
Futures	143.70	143.46	144.58	136.28

LONDON STOCK EXCHANGE

Equity sectors begin to feel the pace

THE FIRST signs of tiredness began to appear yesterday in a UK equity market which has enjoyed a virtually trouble-free run of 130 FT-SE points since breaking through the 1800 mark in the early days of the New Year. The international blue chips, which had staged further gains in the first half of the trading session, were cut back sharply towards the close as the central banks again intervened against the dollar, while gains in domestic issues were trimmed by some small sell programmes. However, selling came from traders rather than from the investment institutions and share prices were steadying in the closing minutes of the trading session.

Account Dealing Dates			
First Declarations	Jan 16	Jan 30	Feb 13
Option Declarations	Jan 26	Feb 9	Feb 23
Last Dealings	Jan 27	Feb 10	Feb 24
Account Day	Feb 6	Feb 20	Mar 6

*New time dealings may take place from 9.00 am two business days earlier.

Turnover appeared brisk, with Seaq volume at 600m shares, compared with Friday's 903.2m, but the total included a hefty contribution from inter dealer trades. Genuine investment activity was below Friday's levels, and the market was slow to move away from a quiet opening. The overnight bargains list was relatively light, and only one bargain in excess of 1m shares was recorded before 11.0am.

The first readings on the FT-SE index showed little change, and only at mid-morning did a buy programme, supposedly from a US house, spur the market to a renewed advance which took the Footsie index up by 21 points to just above 1938.

It was soon clear, however, that the institutions were unwilling to chase share prices higher, perhaps because they were nervous ahead of two new factors in the market equation this week. This morning brings the latest survey of business opinion from members of the Confederation of British Industry and on Friday the markets must face the UK trade figures for December.

Later, when the check in the dollar trimmed the blue chip equities, the gain in the FT-SE Index was reduced to 7.2 for a final reading of 1924.7.

The futures contract on the FT-SE Index, which over the past fortnight has been showing premiums over the underlying index of around 30 points, followed a less certain track yesterday. The premium was sharply reduced at one time, but late buying restored it to the 30 point area, and provided late sustenance for blue chip Footsie stocks.

Takeover situations, actual or imagined, played a less active role. Plessey eased as Thomson-CSF firmly rejected market hints that it might bid, while GEC shaded lower as the market awaited the next development on the GEC/Siemens move against Plessey.

Shares in Consolidated Gold Fields slipped lower as the report on Minorco's takeover approach went from the Monopolies and Mergers Commission to Lord Young, the British Minister who must make the final decision on the bid.

FINANCIAL TIMES STOCK INDICES

	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.35	88.15	88.08	87.54	87.54	88.39	91.43 (18/4/88)	85.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.10	96.92	96.84	96.71	96.53	95.46	98.57 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1580.5	1563.3	1558.2	1549.0	1521.3	1414.0	1588.5 (23/1/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	189.0	164.3	163.0	162.6	164.8	279.1	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.67	4.70	4.72	4.78	4.82	4.43				
Earning Yld % (full)	11.75	11.82	11.86	11.98	12.12	11.19				
P/E Ratio (Net)(*)	10.28	10.23	10.18	10.11	9.98	10.92				
SEAQ Bargains (5pm)	34,464	33,326	35,073	28,527	25,801	22,950				
Equity Turnover (£m)†	-	1632.84	1728.10	1236.10	982.41	727.07				
Equity Bargains†	-	36,882	36,649	28,588	28,967	24,392				
Shares Traded (ml)†	-	718.0	898.6	440.5	434.8	307.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1563.1	1567.2	1578.2	1579.0	1579.5	1581.2	1579.0	1569.6

DAY'S HIGH 1581.9 DAY'S LOW 1563.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.22 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jan. 20	Jan. 19
Gilt Edged Bargains	105.4	139.4
Equity Bargains	239.0	237.5
Equity Value	3300.4	3482.9
5-Day average		
Gilt Edged Bargains	116.4	113.8
Equity Bargains	214.07	215.2
Equity Value	2768.8	2741.5

● London Report and latest Share Index: Tel. 0898 123001

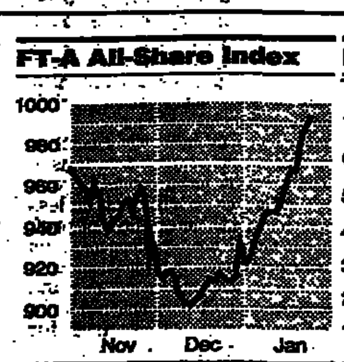
Century rejects bid talk

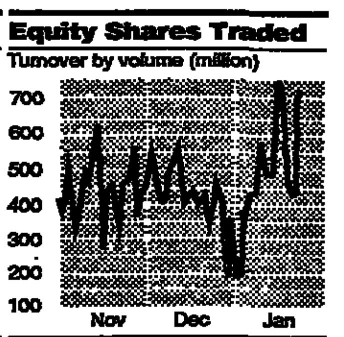
Century Oils, the Stoke-on-Trent-based speciality lubricants group, continued its strong run, with the shares racing up 9 to a twelve-month best of 198p amid further take-over speculation.

Century has risen sharply since before Christmas on market stories that a stake-building operation could well be in motion as a prelude to a full-scale bid. But Mr Andy Hayman, director of public affairs at Century, said yesterday that he knew of "no evidence of any stake-building operations. It's all pure speculation."

Mr Hayman continued: "We don't get that excited by these rumours which crop up from time to time. We are the largest independent of our type and other companies are forever looking at us. We just get on with the business of running the company."

But the whispers of a share-stake being accumulated refused to die down. A block of 2.2m Century shares, representing some 3 per cent of the capital, changed hands at 196½p on Friday afternoon, triggering the latest bout of speculation. BP made an unsuccessful attempt to take over Century in October 1976, but the offer lapsed when it was referred to the Monopolies & Mergers Commission.





Divergent views

Another strong push to a peak-peak high by Smiths Industries set the adrenalin flowing amid [illegible] the reason for the movement. A division emerged among researchers of the stock, some of whom thought Smiths — perceived to have a high dollar content largely through the US Lear Siegler business — was only regaining its premium rating. "Historically undervalued" said Mr Christopher Will of Shearson Lehman Hutton, who continued: "It is not difficult to paint a rosy picture about group prospects".

Other analysts were less certain and believed the enhanced rating to be demanding. Some spoke of "heavy demand recently from one source since a broking house advised an in-house switch from Dowty." There was no suggestion of stakebuilding yesterday, but the shares, up 8 at 289p, did receive extra zip from stock shortages after many market-makers had been caught wrongfooted on Friday. Kleinwort Benson, another house to take a positive stance on the shares, remains a buyer.

Wimpey sold

George Wimpey, one of the UK's biggest construction and housebuilding groups, turned down with a vengeance to close 23 off at 280p. The shares have risen strongly over the past few weeks as stories circulated in the market that part or all of the 35 per cent share stake held by the Grove Charity Trust could be on the move soon.

But with no news on the Grove stake forthcoming, speculators dumped the stock yesterday. "With no bid news, there is no reason to keep the shares at this level; they are well overvalued on fundamentals," said one dealer in the stock. The turnover figure of 7.9m shares was an ample indication of the weight of activity and selling in the stock yesterday.

The international stocks were restrained by the official action against the dollar and largely gave back early gains. There was again heavy demand for Reuters, which put on 12 to 612p with 2.5m shares traded as investors took the view that the recent recovery in trading volumes in major stock markets will benefit sales of Reuters' electronic equipment.

The oil majors sector under-performed the rest of the market with sentiment slightly disturbed by the downturn in crude oil prices, where February Brent was down some 70 cents towards the close.

British Gas enjoyed another session of good turnover - 11m were traded - amid market speculation that a £2 bn-plus bid for Texas Eastern could be on the cards; the shares closed 2 up at 170½p after strong support from at least two leading marketmakers.

LASMO were upset by talk that one of the top UK securities houses had lowered the independent oil group's asset value from £6 a share to nearer £4 a share; at the close LASMO were down 10 at 474p. Premier, where Burmah recently topped up its stake to 29.9 per cent, remained a strong market, adding 2½ more at 84½p, after 86p.

Events may be reaching a crescendo in Thomson T-Line, currently fighting off an unwelcome offer from the Ladbroke Group. Late yesterday John Govett fund managers, and Universities Superannuation Scheme, announced sales totalling over 23m shares. This left some 15m shares unaccounted for after Hanson had earlier revealed that it had acquired 8.5m shares, representing a 5 per cent holding.

City opinion suggested Wembley, the company reported to be negotiating funds for a counter offer, was the buyer but other names, including Wassall, were mentioned. Thomson shares closed 2 harder at 90p, compared with the Ladbroke cash offer of 90p a share.

Action in the building materials companies concentrated on Redland. Talk in the market suggested that a deal was imminent between Redland and the Central Electricity Generating Board, with Redland contracting to buy up the CEGB's gypsum output to use in its plasterboard manufacturing plant currently under construction. Redland subsequently denied the rumour. Redland shares raced up to 464p before closing a net 10½ higher at 462p.

But one analyst took the view that competition in the plasterboard market would "only get hotter" and that BPB could well be among the main victims of the sharply increased competition which will also come from Knauf. BPB, hit last week by a number of profits downgradings, notably by Kleinwort Benson and County NatWest WoodMac, were a fraction harder at 236p despite BZW lowering its forecasts for the company.

Stanley Miller were unsettled by news of a possible investigation into dealings in the shares ahead of a contract awarded last year.

The electronics were "out of favour" as one dealer put it. "We've virtually led the market for three weeks and we are taking a breather by the look of it."

STC slipped 5½ to 295p after Italy's Olivetti denied it had been involved in talks with the UK group over STC's ICL subsidiary. GEC drifted off to 205p, down 2½ on the day, with 7m traded. Plessey, meanwhile, lost 4 to 244p on 2.2m.

Racal Electronic fell late in the session to close 6 off at 323p with one securities house said to have been a determined seller of the traded options towards the end of the day. Racal Telecom fell the same amount to 227p.

Suggestions in the weekend Press that America's AT & T could be interested in acquiring SD-Scicon saw the latter's shares marked up to 83p before a close of 78p, up 4 on balance.

A deficiency of supplies accelerated the upward momentum in selected engineering stocks. These included Hawker Siddeley, up 12 at 597p, IMI, 8 higher at 210p, and Glynwed, 6 dearer at 381p. Takeover speculation continued to boost Weir Group, 5 firmer at 269p, while news that Triplex Lloyd had acquired a small stake of 1.5 per cent lifted James Neill 7 to 199p.

Unigate's announcement that it had sold half its liquid milk business to Milk Marketing Board subsidiary Dairy Crest may have been well-received by analysts who follow the stock, but it failed to impress the market and the shares dropped 9 to 355p in moderate trading.

Observers said the price fell because dealers were disappointed that the corporate activity rumoured last week to be imminent turned out to be the sale of part of Unigate Dairies, and not news of an important stake.

But Mr Marcus Darville, analyst at Swiss Bank Stockbroking, was prepared to take a more positive view of the deal. "It is a very sensible move because liquid milk is now a dull, no-growth business." He believed that the £152m disposal made Unigate more rather than less attractive to possible predators; "It should leave the balance sheet almost completely ungeared at year-end, and it enhances the company's break-up potential."

United Biscuits (UB) rose sharply when the market opened on the news that A B Foods had taken a 2.1 per cent in the UK biscuit-maker. At one stage the shares were 320p-bid, helped on their way by hints that UB's brand names have been valued at 500p-a-share. But as the realisation set in that the A B Foods stake was probably a trade investment and not the launch-pad for a bid, UB lost all of their early gains to close 2 easier at 309p on turnover of 2.4m shares.

Gateway was again hit by profit-taking, and as a short 7m shares changed hands the stock closed 6 weaker at 173p. Bassett Foods, the target of an unwelcome offer from Sweden's Procordia, climbed 10 to 465p on hopes that a white knight – possibly Cadbury Schweppes (down 3 at 353p) – will launch a rival bid. Albert Fisher shed a penny to 93p after announcing a £35m convertible issue to finance acquisitions in West Germany and the Netherlands.

British Island Airways retreated 9 to 122p, after 105p, following news that talks with International Leisure, reportedly one of several possible bidders, had been terminated. AIM, however, jumped 20 to 295p on the award of a $28m contract by McDonnell Douglas.

Boosey and Hawkes spiralled upwards again, closing a further 80 higher at 475p, albeit in very thin trading, on talk of an imminent bid. Fairline Boats jumped 29 to 517p after a newsletter recommendation.

Widespread comment that Italian group Fiat was showing interest in certain component divisions of Lucas Industries ensured a continuation of the recent run and the shares ended 14¼ up at 585½p. Currency considerations inspired further demand for Lex Services, 8 to the good at 339p, while bumper annual profits put Central Motor Auctions 8 higher to 96p. Alexanders Holdings shares remained buoyant, gaining 5 more to 47p, although the board stated that the approach from T Cowie was unlikely to lead to an offer being made which is acceptable to controlling shareholder, Mr Henry Clayton.

UK Paper were popular ahead of a presentation later this week and settled 10 higher at 217p, while United Newspapers revived 8 to 395p. Chapman Industries furthered Friday's sharp gain in response to a bid approach, rising 15 more to 365p, but Norton Opax eased to 172p after Bowater confirmed it was the buyer of the Maxwell Communication stake but had no intention of bidding for Norton.

Unit trust and fund management groups had a better session with M&G rising 18 to 298p and Mercury Asset Management gaining 9 to 391p. The listing of GT Venture Investment was restored and the close was 81p against the suspension level of 73p.

Dealings in traded options were coloured by tomorrow's expiry in individual stocks, with most of the more actively handled having expiry dates this month, including BP, which attracted 4,744 call contracts and 790 puts, with a closing of interest seen in the January 260 calls, in which 2,515 contracts were handled.

More than one trader described the day as dull, though overall turnover came to double the mid-summer average, at 58,535, made up of 45,617 calls and 12,918 puts. Trading in the FT-SE 100 index, which expires next Tuesday totalled 10,951, consisting of 6,552 calls and 4,399 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,000	141	-3	Commercial Union	2,300	366	+2½
Allied-Lyons	1,950	468	+5	Cons. Gold Fields	711	1285	-9
Amstrad	4,600	164½	-7½	Cookson	390	285	+1
Argyll Group	3,300	180½	+1½	Courtaulds	4,900	286½	-2
Ass. Brit. Foods	496	328	-1	Dalgety	549	326	
BAA	1,400	279	-1	Dixons	2,050	139	+3
BAT	4,000	488	-1	Eng. China Clays	464	474	+3
BET	3,700	241	+5	Enterprise Oil	370	519	-7
BICC	1,200	413	+1	FKI Babcock	2,175	135	+2
BOC	1,500	446	-3	Fisons	1,900	265	+3½
BPB Inds.	2,700	236	+1	Gateway Corp	6,900	173	-6
BTR	3,950	323	+5	General Accident	224	901	+4
Barclays	1,000	457	-1	General Elec.	6,977	205	-2½
Bass	445	966	-4	Glaxo	2,100	1111	+6
Beazer	94	192½	+½	Globe Inv.	348	152½	+1
Beecham	3,300	513½	-1½	Glynwed Int.	438	381	+6
Blue Arrow	2,600	88	-1	Granada	1,850	362	+1
Blue Circle	2,700	470	+3	Grand Met.	2,300	472	+3
Boots	1,900	239	+2	GUS A	228	995	-2
British Airways	2,800	174½	+2½	GRE	828	297	+½
Brit. Aerospace	950	485	+2	GKN	1,700	331	+4
Brit & Comm.	951	230	-3	Guinness	2,700	358	+3
British Gas	11,000	170½	+2	Hammerson 'A'	773	814	-11
British Land	367	341	+3	Hanson	17,157	164½	+1½
BP	5,000	260½	-½	Harrisons & Cros.	517	674	+10
British Steel	41,940	69½	+½	Hawker Siddeley	1,300	597	+12
British Telecom	4,000	265	-1	Hillsdown Hldgs	2,800	260	+2
Burmah Oil	771	529	+1	IMI	537	210	+8
Burton	2,800	180½	+1½	Imp. Chem.	2,700	1075	
Cable & Wireless	1,900	390		Inchcape	2,200	225	+3
Cadbury Schweppes	1,200	353	-3	Jaguar	1,700	278	
Coats Viyella	2,930	156½	-½	Ladbroke	3,000	470	+9

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
Land Securities	1,100	579	+8	Rothmans	600	454	+9
Laporte	482	391	+3	Royal Bk. Scotland	1,100	381	+13
Legal & General	2,500	324	+9	Royal Insurance	214	414	+2
Lloyds Bank	6,400	337	+2	STC	490	295	-5½
LASMO	1,200	474	-10	Saatchi & Saatchi	1,300	363	+1
Lonrho	1,600	343	-2	Sainsbury	580	235	+1
Lucas	1,700	585½	+14¼	Scott & Newcastle	1,000	400	+2
MB Group	1,900	284	-3	Sears	2,600	118½	+1½
MEPC	333	545	+7	Shell Transport	3,700	[illegible]	+2
Marks & Spencer	4,900	183	+3	Siebe	1,000	428	+3
Maxwell Comm.	1,200	198	+3	Slough Ests	238	513	
Midland Bank	1,400	442	+7	Smith & Nephew	2,300	129½	-1
Nat. West. Bank	2,000	562	+1	Standard Chart.	803	524	+5
Next	4,100	135	+1	Storehouse	2,000	199	-3
Northern Foods	1,400	297	+4	Sun Alliance	342	1014	+12
Pearson	53	670	+1	T&N	1,000	179	+3
Pearl	573	426	-3	TSB	2,400	113½	+½
P & O	1,400	597	+8	Tarmac	5,000	361	+1
Pilkington	3,800	231	+2	Tate & Lyle	234	990	+3
Plessey	2,200	244	-4	Tesco	2,700	148½	-½
Polly Peck	810	293	-3	Thorn EMI	3,600	695	+12
Prudential	3,300	172	+4	Trafalgar House	3,400	314½	+4½
Racal	5,400	323	-6	Trusthouse Forte	4,700	263	+2
Rank Org.	772	708	+2	Ultramar	3,100	333	-1
RMC	1,700	552	+14	Unilever	1,500	522	+8
[illegible]	525	386		United Biscuits	2,400	309	-2
Reckitt & Colman	961	985	+15	Utd. Newspapers	1,900	395	+8
Redland	1,700	462	+10½	Wellcome	649	445	+5
Reed International	852	397		Whitbread 'A'	3,550	326	+8
Reuters 'B'	2,500	614	+13	Williams Hldgs.	1,400	348	-1
RTZ	1,500	438	-1	Wimpey	7,900	281	-21
Rolls-Royce	4,900	149	+3	Woolworth Hldgs.	1,000	357	

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (143).

BRITISH FUNDS (1) Treas. 3pc 1990, AMERICANS (6), CANADIANS (3), BANKS (5) Royal Bk. of Scot., Anglo Leasing, Capital Leasing, BREWERS (3) [illegible], BUILDINGS (8) [illegible], CHEMICALS (5) [illegible], ELECTRICALS (8) Belection, Dewhurst 'A', First Tech., JSB Elect., Mervier-Swain, ENGINEERING (7) Camford, Davy Corp., Fairey, Howden Grp., TI Grp., Thyssen, Weir, FOODS (6) Bassett Foods, Food Inds., Low (Wm.), Meat Trade Sup., Tate & Lyle, Do. 9.25p Cv. Pf., HOTELS (1) Ladbroke, INDUSTRIALS (36) AAF Invs., Armour Tst., Barry Wehmiller, Channel Express, Christies Int., Cooper (A.), Cosalt, Dawsongroup, EIS, Elders IXL, Hampson 6½pc Net Pf. '91-'03, Hanson 5.75pc Cm. Pf., No-Swift, Reckitt & Colman, Reuters 'B', Securicor 'A' NV, Serco, Smiths Inds., Sthn. Bus. Grp., WSP, INSURANCE (1) Trade Indemnity, LEISURE (3) [illegible] Fairline Boats, [illegible], NEWSPAPERS (3) [illegible], PAPERS (3) Chapman Inds., More O'Ferrall, [illegible], PROPERTY (9) [illegible], Town Centre, SHIPPING (3) [illegible], TRUSTS (20) [illegible], OVERSEAS TRADERS (1) Sime Darby, MINES (3), THIRD MARKET (2).

NEW LOWS (18).

CHEMICALS (1) Cambridge Isotope Labs., STORES (1) [illegible], FOODS (1) Everest Foods, INDUSTRIALS (2) Bardon Grp., Mainmet, INSURANCE (1) NZI Corp., MOTORS (1) Spice, PROPERTY (2) Hambro Countrywide, Merchant Manct. Ests., TEXTILES (1) Mackay (Hugh), TRUSTS (2) GPG, Melville Street Invs., MINES (1) Elsburg, THIRD MARKET (2).

APPOINTMENTS

W.H. Smith finance director

W.H. SMITH, the high street retailer and distribution group, has appointed Mr John Napier as finance director, *writes Maggie Urry*. He will replace Mr Brian Jamieson, who is to retire.

Mr Napier was previously senior partner of Touche Ross, the chartered accountants, for 15 years and has been an accountant all his working life. At Touche Ross he advised a number of retailing and manufacturing companies.

He will join W.H. Smith on February 1 and take over as finance director on April 1.

■ Mr J. Limond has been appointed financial director, FKI-BABCOCK ENERGY GROUP. The group is headed by Mr John Lace, who continues as managing director of one of the constituent companies, Babcock Energy.

Appointed to the board of Babcock Energy as executive directors are: Mr J.R. Prosser, power plant engineering; Mr D.I.M. Blair, projects; Mr D.G. Law, production; Mr A.Y. Innes, construction.

Mr F.E. Hart becomes executive director and chief executive, Babcock Constructors, the other group company. Mr I. Smith succeeds Mr Hart as Babcock Contractors director of marketing and sales.

Gerrard & National chief

Mr Roger Gibbs is to retire as chairman of GERRARD & NATIONAL, the City of London discount house group, on April 6, *writes David Lascelles, Banking Editor*. He will be succeeded by Mr Brian Williamson, currently a director.

Mr Gibbs, who is 54 and has been with Gerrard for 16 years, is to become chairman of Wellcome Trust, which owns 75 per cent of Wellcome, the pharmaceutical company. He said he had always intended to leave before he reached the age of 55.

Under Mr Gibbs, Gerrard has diversified away from its traditional discount business, and is now engaged in commodities trading and stockbroking.

Mr Williamson, 43, has been with Gerrard since 1972, and was for three years chairman of the London International Financial Futures Exchange. He is also a member of the Securities and Investments Board.

Mr Williamson said he was keen to see further expansion of the London money markets, and he believed that the discount houses, as jobbers in those markets, had a major role to play in helping to get trading costs down, and making them more efficient.

SUN LIFE GROUP has appointed Mr Geoffrey Harrison-Dees (above), managing director of Sun Life Trust Management, to succeed Mr Frank Berry, director and general manager (group sales and marketing), when he retires on June 30.

Board changes at BMP

Mr Martin Boase, currently chairman and chief executive of BOASE MASSIMI POLLITT, advertising and marketing services group, is relinquishing the post of chief executive but will continue as executive chairman, *writes Philip Rawstorne*.

Mr Peter Jones becomes chief executive, and Mr Stephen Lewis joins the main board, with responsibility for the development of international business.

The appointments reflect BMP's recent growth, notably since the merger last year with Davidson Pearce, another advertising and marketing group. Mr Boase said yesterday: "Combining the roles of chairman and chief executive has become more difficult as the group has grown and moved into new areas."

Mr Jones, who was one of the founding partners of BMP 21 years ago, has latterly been in charge of the group's retail marketing operations.

Mr Lewis joined BMP last year from Whitbread where he had been marketing director. His appointment to the board reflects the priority now being given by BMP to the extension of its operations into Europe.

■ Mr Christopher Mackenzie has been appointed a director of J. HENRY SCHRODER WAGG AND CO and will be responsible for Japanese mergers and acquisitions.

■ Mr Philip Taylor has been appointed director of marketing at TRADERMADE INTERNATIONAL. He joins from the Saudi International Bank.

■ GRANADA GROUP has appointed Mr David Walker as managing director of its leisure division subsidiary, Granada Travel.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.34	48.81	48.73	-0.18	5.62
Gilts & Fixed Int	6	113.40	113.40xd	120.40	+0.3	8.31
High Inc Equity	6	119.70	121.90xd	130.30	+1.10	4.57
Worldwide Bond	6	188.60	188.60	199.90	-0.70	4.85
Capital Growth						
American Growth	6	150.80	151.90xd	162.40	-0.5	1.34
Asian Pacific	6	71.95	73.00xd	78.07	-0.3	1.38
Assets & Earnings	6	141.20	145.30	154.50	+0.9	2.58
Capital Reserve Acc	0	82.29	82.29	82.45	+0.13	4.85
Comdty & Energy	6	94.39	94.39	101.00	-1.71	0.00
1992 Enterprise	6	49.06	50.10	53.29	+0.28	3.38
European Capital	6	75.84	76.32	81.19	+0.06	0.92
General	6	159.10	161.90	172.20	+0.50	2.61
Japan	6	200.90	202.60	109.10	...	0.00
Mastertrust	6	75.04	75.04	80.26	+0.16	1.84
UK Growth Acc	6	176.40	184.10	195.80	+0.90	1.36
UK Growth Dist	6	118.40	123.60	131.40	+0.60	2.02
US Emerging Cos	6	45.99	47.55	50.58	+0.05	0.00
Income & Growth	6	265.00	270.6	287.8	+2.1	3.30
Ethical	6	43.70	44.79	47.64	+0.14	2.62

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	41.96	41.56xd	44.21	-0.13	1.97
Australian	5¼	23.54	23.54	25.04	-0.05	1.27
European	5¼	50.96	50.96	54.21	-0.23	0.00
Extra Income	5	39.29	39.29xd	41.70	-0.23	4.78
Fund Inv Tst	5	107.7	107.7	114.4	+0.50	2.41
Do Accum	5	164.1	164.1	174.4	+0.80	2.41
Gilt & Fixed Int	5¼	21.77	21.77	23.16	+0.01	10.23
Global Income	5¼	36.47	36.47	38.80	-0.10	4.90
Income & Growth	5¼	66.23	66.23xd	70.46	+0.63	4.24
Japan	5¼	174.1	174.1	185.2	-0.40	0.01
Nth Amer Inc (z)	5	25.84	25.84	27.43	-0.01	3.96
Special Situations	5¼	65.18	65.18	69.34	+0.60	1.19
UK Growth	5	32.91	32.91	34.93	+0.13	2.77
World Gwth	5	42.53	42.53	45.14	+0.25	0.50
Formerly Scotfund Funds Management Ltd						
American Majors	5¼	58.51	58.51xd	62.46	-0.19	1.82
Amer Tech & Gen	5¼	99.08	99.08	109.7	-0.04	0.00
European Growth	5¼	34.76	34.76	37.11	-0.12	0.00
European Income	5¼	49.64	49.64	52.99	+0.12	1.93
European Spec Sits	5¼	20.44	20.44	21.82	+0.01	0.00
Exempt	1	740.0	740.0	773.0	+7.70	3.14

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Waverley Unit Tst Mngrs Ltd (0900)H
99, Bishopsgate, London, EC2P 2LA 01-374 0861

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
American ◆	5½	57.51	57.51	61.59	−0.36	1.3
Intl Growth	5½	70.11	70.11	74.90	−0.06	0.4
Income ◆	5½	118.7	120.7	129.1	+0.50	5.5
Japan Growth	5½	201.4	204.3	218.6	+0.50	0.1
Pacific Perf	5½	125.1	125.1	133.7	−0.20	0.5
Small Co's ◆	5½	143.3	141.3	151.1	+0.30	1.6
Technology	5½	29.44	29.44	31.48	−0.45	0.1
Australia	5½	61.97	61.97xd	66.27	−0.05	2.7
UK Trust ◆	5½	167.6	167.6	179.2	−0.60	2.9
European Growth ◆	5½	52.85	53.59	57.11	−0.09	0.1
Hong Kong ◆	5½	32.57	32.87	35.15	−0.19	1.4
Intl Income	5½	19.82	19.82xd	21.19	−0.02	8.0
S'pore & Mlysia Gth	5½	23.76	23.76	25.41	+0.01	0.5
British Winners ◆	5½	25.84	25.84	27.63	+0.15	2.8

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

	Init Charge	Bid Price	Offer Price	+ or −	Yield Gr's
Australasian Gold	5	16.90 16.90	17.97	−0.1	0.00
Pacific Basin	5	24.75 24.75	26.32	−0.09	0.60
Can Balanced Gwth ◆	5	45.21 45.21	48.09	−0.16	0.10
Classic Mae ◆	4	0.9492 0.9492	0.9887	−0.003	6.94
Penny Share	5½	27.02 27.02	28.76	−0.15	0.50

Wellington Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 01-407 4404

Wellington Income	5½	114.2 115.4xd	122.9	+0.3	4.80
Wellington Growth	5½	179.3 181.0	192.5	+0.5	1.19

Wessex Asset Management (1330)F
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	4½	98.70 102.48	106.48	+1.41	—

Whittingdale Unit Tst Mgmt Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger ◆ F	1½	33.00 33.00	34.57	+0.00	0.00
Short Dtd Gilt ◆ F	1½	80.51 80.51	81.51	+0.05	9.77
U.S. Govmt Bond ◆ F		5471 .5475	.5475	+0.001	0.00

Wilibra Financial Services Ltd (0905)F
PO Box 515 Austin Friars, London EC2 01-588 7321

Aust Friars W'wide	5	155.5 156.7xd	166.7	—	0.17

Windsor Trust Mngrs Ltd (1000)F
83 Kingsway, London, WC2B 6SD 01-405 8331

Convertible & Equity	5	60.04 62.54	66.53	+0.37	6.12
European	5	53.96 54.77xd	58.27	+0.28	2.62
Far Eastern	5	53.93 53.93	57.18	−0.95	1.30
Growth	5	81.71 85.47	90.93	+0.20	1.82
Income	5	79.25 81.15	86.33	+0.20	5.97
Property Share	5	50.08 50.96xd	54.20	+0.70	1.45
Smaller Co's	5	53.47 57.04	60.69	+0.69	2.06

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Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Bolt Blue Chip Fd Acc(3)	119.6	125.8	+0.6	—
Equity Fd Acc(3)	944.9	994.5	+4.4	—
European Fd Acc(3)	205.2	216.0	−0.4	—
Intl Fxd-Int. Fd Acc(3)	199.2	209.6	+0.2	—
Fixed Int Acc(3)	339.5	357.3	—	—
Gtd Money Fd Acc(3)	227.7	239.7	+0.2	—
High Income Fd Acc(3)	106.7	112.3	+0.7	—
Intl Man Fd Acc(3)	371.6	391.1	+1.7	—
Japan F(3)	296.5	312.1	+0.3	—
UK Smllr Co's Fd Acc(3)	104.9	110.4	+0.2	—
Global Metro	97.3	102.4	+0.2	—
UK Metro	100.1	105.3	+0.2	—
Nth American Fd Acc(3)	168.0	176.8	−0.5	—
Pac Basin Fd Acc(3)	134.1	141.1	+0.4	—
Prop Fd Acc(3)	311.2	327.6	+0.1	—
Multiple Inv Acc(3)	645.9	679.8	+2.9	—
Pension Funds				
Brit. Blue Chip Acc(3)	127.8	134.4	+0.9	—
Eq Pen Fd Acc(3)	1792.7	1887.0	+16.5	—
Euro Fd Acc(3)	254.6	267.9	−0.7	—
Fixed Int. Acc (3)	686.3	722.3	+0.1	—
Gt Money Pn Acc(3)	402.8	423.9	+0.4	—
High Interest	134.8	141.8	+0.1	—
High Income Fd Acc(3)	110.0	115.7	+0.7	—
Intl Man F(3)	547.6	576.4	+3.4	—
Jap Pen Fd Acc(3)	421.3	443.4	+0.6	—
UK Smllr Co's Fd Acc(3)	107.7	113.3	+0.2	—
Global Metro	98.7	103.9	+0.3	—
UK Metro	102.7	108.1	+0.4	—
N Am Pn Fd Acc(3)	195.1	205.3	−0.6	—
Pac Basin Fd Acc(3)	151.0	158.9	+0.6	—
Property(3)	322.9	339.8	+0.3	—
Mltple Inv Pen Acc(3)	1269.2	1335.9	+7.8	—
Dealer Funds				
Prof. Pen. Fd.	89.4	94.0	+0.4	—
YRA Strategy	112.4	118.3	+0.3	—
Langham Dollar (SD)	141.1	148.4	+0.7	—

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or −	Yield Gross
Fixed Int. Dep. Acc	255.6	267.0	+0.2	—
Equity Acc	796.6	838.2	+1.0	—
Property Acc	477.4	502.6	+0.1	—
Far East Acc	188.2	198.2	+0.9	—
European Acc	20.1	21.2	+0.1	—
Managed Acc	613.3	645.6	+0.7	—
Managed Cap	349.9	368.4	+0.4	—
O'seas Earnings Acc	508.1	534.9	+0.4	—
Gilt Edged Acc	311.5	327.9	+0.5	—
American Equity Acc	382.9	403.1	−0.9	—
American Man Acc	179.4	188.9	−0.3	—
American Prop Acc	133.8	140.9	+0.1	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Norwich Union Life Insurance Soc.

PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	110.74	116.57	+0.13	-
Managed Fd	122.56	129.00	+0.5	-
UK Equity Fd	125.26	131.86	+0.95	-
International Fd	126.73	133.4	-0.79	-
European Fd	119.14	125.41	+0.83	-
North American Fd	118.04	124.26	-0.85	-
Pacific Fd	124.95	130.90	-0.88	-
Property Fd	125.88	132.51	+0.02	-
Fixed Int Fd	103.29	108.73	-0.05	-
Intl Bond Fd	106.58	112.19	-0.06	-
Sieg Soc Dep Fd	105.22	110.76	+0.03	-
Penlnvestor* & Unit-Linked Plan*				
Fixed Interest Fund	287.9	303.1	+1.6	-
Index-Linked Sec Fund	155.4	163.5	+0.2	-
Ordinary Share Fund	479.8	505.1	+10.6	-
International Fund	136.1	143.3	-0.2	-
Property Fund	213.6	224.8	+0.2	-
Deposit Fund	188.4	198.3	+0.4	-
Mixed Fund	331.8	349.3	+3.6	-
Norwich Units January 15	820.0		----	-

*Prices as at January 17

Pearl Assurance (Unit Funds) Ltd

252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	180.3	189.8	+0.7	-
Prop Acc. (Gross)	303.6	319.6	+1.1	-
Equity (Gross)	682.0	717.9	+6.0	-
Managed (Gross)	497.6	523.8	+3.5	-
Prop. Acc. (Net)	140.5	147.9	+0.6	-
Equity (Net)	159.8	168.2	+1.0	-
Managed (Net)	152.4	160.5	+0.9	-
Internat'nal (net)	136.3	143.5	-0.1	-
Gilt & Fxd Interest	103.4	108.9	+0.3	-
Money Fund	103.3	108.8	+0.1	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	477.4	502.6	+3.6	-
Ret Man (Series 2)	161.9	170.5	+1.2	-
Ret Man (Series 3)	106.8	106.8	+0.8	-
Ret Cash	129.6	136.5	+0.2	-
Ret Cash (Series 3)	106.5	106.5	+0.1	-

Phoenix Assurance Co Ltd

Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	+ or -	Yield Gross
Life Assurance Funds				
Wealth Assd.	404.6	426.0	+3.4	-
Eb'r Ph. Eq.	348.7	370.6	----	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	179.0	188.4	+2.2	-
International Acc.	147.4	156.1	----	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund	940.7	987.7	+4.4	-
Equity Fund	210.8	221.3	+2.4	-
International Fd	140.5	147.5	----	-
Fixed Interest Fd	154.2	161.9	+0.2	-
Property Fund	209.6	220.1	----	-
Index-Linked Fund	132.9	139.5	+0.5	-
Deposit Fund	132.8	139.4	+0.1	-
Pens. Mixed (Ord) Fd	219.1	230.1	+1.1	-
Gold Pensions				
Discretionary Fund	106.4		+0.6	-
Equity Fund	103.5		+0.8	-
Fixed Interest Fund	106.6		+0.2	-
International Fund	105.2		----	-
Property Fund	126.8		----	-
Index-Linked Fund	108.9		+0.4	-
Deposit Fund	105.4		+0.1	-
S & F Consolidation	104.0		----	-
S & F Balanced	105.5		+0.2	-
S & F Maximum Growth	97.3		+0.6	-

Provident Mutual Life Assc. Assn.

Wilian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	302.6	318.5	+1.7	-
Managed Init	246.5	259.5	+1.3	-
Equity Ord	419.6	441.7	+4.1	-
Equity Init	341.8	359.8	+3.2	-
Index Linked Gilt Ord	132.2	139.2	+0.5	-
Index Linked Gilt Init	112.5	118.4	+0.3	-
Overseas Equity Ord	272.9	287.3	-0.3	-
Overseas Equity Init	222.4	234.1	-0.2	-
Property Ord	189.9	199.9	+0.1	-
Property Init	154.7	162.8	-	-
Fixed Interest Ord	176.6	185.9	+0.8	-
Fixed Interest Init	143.9	151.5	+0.7	-
Deposit Ord	139.5	146.8	+0.1	-
Deposit Init	113.6	119.6	-	-
Pension Funds				
Managed Ord	368.0	387.4	+2.2	-
Managed Init	299.8	315.6	+1.7	-
Equity Ord	529.4	557.3	+6	-
Equity Init	431.3	454.0	+4.7	-
Pen Ind Lkd Gilt Ord	143.2	150.7	+0.5	-
Pen Ind Lkd Gilt Init	121.8	128.2	+0.3	-
Overseas Equity Ord	311.9	328.3	-0.4	-
Overseas Equity Init	254.1	267.5	-0.4	-
Property Ord	226.6	238.5	+0.1	-
Property Init	184.6	194.3	-	-
Fixed Interest Ord	202.9	213.6	+1	-
Fixed Interest Init	165.3	174.0	+0.7	-
Deposit Ord	177.0	186.3	+0.2	-

BERMUDA AUTHORISED

OFFSHORE INSURANCES

JERSEY AUTHORISED

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

IoM AUTHORISED

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44	41	Consols 4pc	44 [illegible]	[illegible]	9.05	–
40	37	War Loan 3½pc	39 [illegible]	[illegible]	8.82	–
62	48	Conv. 3½pc '61 Aft.	61 [illegible]	[illegible]	5.66	–
33	30	Treas. 3pc '66 Aft.	32 [illegible]	[illegible]	9.11	–
28	26	Consols 2½pc	27 [illegible]	[illegible]	8.97	–
29	26	Treas. 2½pc	27 [illegible]	[illegible]	8.99	–

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988: 106.2 and for December 1988: 110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
45	33	Greek 7pc Ass	45	...	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45	...	3	16.67
45	33	Do 4pc Mixed Ass.	45	...	3	14.44
80	63	Hung. '24 Ass	80	...	2.75	13.57
140	128	Hydro Quebec 15pc 2011	137 [illegible]	[illegible]	15.00	10.58
131	13	Iceland 14½pc Ln 2016	127 [illegible]	[illegible]	14.50	11.25
101	37	Ireland 9¾pc '91-96	94½	...	9.75	10.80

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦Unilab	138p	.....	–	–	–
24¼	17⅝	Utd. Technologies	24¾	+½	$1.60	–	3.6
163p	27p	♦Utiltech Inc	145p	.....	–	–	–
34⅝	26¼	US West‖	33½	–⅛	$3.52	–	5.9
24⅞	16⅞	Waste Management $1	24¼	–⅛	48c	–	1.1
16⅞	12⅞	Whirlpool $1	14⅝	.....	$1.10	–	4.1
20⅝	15	Whitman Corp	19⅞	.....	96c	–	2.8
33⅞	18¼	♦Woolworth $3½	29⅝	–½	$1.64	–	3.1

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	134p	♦ABM Gold Corp‖	142½p	+5	–	–	–
32p	4½p	♦Abbot Energy Corp	4½p	.....	–	–	–
14¼	882p	♦Amer. Barrick Res	11	+½	–	–	–
10p	2½p	♦Amer. Lightwave‖	2½p	.....	–	–	–
47p	7½p	♦Armeno	18½p	+¾	–	–	–
76p	24p	♦Augmitto Explm	37½p	–½	–	–	–
14⅝	10⅝	Bk. Montreal‖	14	.....	$2.00	–	6.5
769p	514p	Bk. Nova Scot.‖	787p	.....	84c	–	5.4
18¼	15¼	BCE‖	17⅜	–⅞	$2.44	–	6.2
716p	527p	♦Bow Valley‖	685p	+26	40c	–	2.7
13¼	10½	♦Brascan‖	13½	.....	88c	–	2.9
328p	177p	♦Breakwater Res.	282p	+16	10c	–	2.3
12¼	801p	Can. Imp. Bank‖	12½	+⅛	$1.16	–	4.4
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

Australians

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- No par value

B.Fr. Belgian Francs. Fr. French Francs. Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	68	−1
Craig & Rose £1.. γ	710	......
Finlay Pkg. 5p.... γ	86	......
Holt (Jos) 25p.... γ	1210	−5

IRISH

Cap. 8½% Ln. 1992...	£99½	......
9pc Cap Ln. 1996..	£100½	+⅛
Fin. 13% 97/02...	£122¾	......

Arnotts................	390	......
Carrol (P.J.).. .... γ	153xd	......
For Grafton Group see Industrials (Misc)		
Hall (R. & H.)......	158	......
Heiton Hldgs...... γ	65	......
Irish Ropes...........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention again hits dollar

CENTRAL BANKS remained opposed to bullish dollar sentiment on the foreign exchanges yesterday. As the market continued to push the US currency higher the Federal Reserve and West German Bundesbank led another determined assault to counter the trend.

There has been co-ordinated intervention to sell the dollar on the last four consecutive trading days, dating from the release of the November US trade figures last Wednesday. A larger than expected widening of the US trade gap failed to dampen the market's demand for the dollar. Attention has turned away from economic fundamentals, to concentrate on interest rate differentials in favour of the US.

It appears to be the market's determination to ignore fundamentals, and focus on interest rate factors that is worrying the central banks.

President George Bush is also enjoying something of a honeymoon period, as far as the market is concerned. There is a mood of optimism that he will cut the US Budget deficit, even though it is by no means clear how this will be achieved.

The Fed intervened in early New York trading yesterday, selling the dollar near the day's high, at around DM1.8480, and again after Europe had closed, pushing the currency below DM1.8300. The Bundesbank stepped in at a little above DM1.8400. This was followed by co-ordinated action involving the Bank of Canada and several major European central banks, with the exception of the Swiss National Bank. The Bank of England; Bank of France; Bank of Italy; Bank of Spain; Austrian National Bank; and Belgian National Bank were all seen on the open market soon after the Fed and Bundesbank.

Some central banks confirmed the intervention, and the Bank of Italy added that it sold dollars for D-Marks at around DM1.8400. The others gave no details, but dealers suggested the Italian move was typical, involving dollars and D-Marks at around the DM1.8400 level.

The action by the Bank of England did not appear to involve sterling, and according to dealers was confined to the dollar against the D-Mark.

The dollar retreated, to close in London at DM1.8380, compared with DM1.8435 on Friday. It also fell to Y127.80 from Y128.25; to SFr1.5575 from SFr1.5675; and to FFr6.2575 from FFr6.2800.

On Bank of England figures, the dollar's exchange rate index fell to 66.8 from 66.9.

Sterling attracted little attention, trading quietly in a narrow range. Expectations that UK interest rates will remain at the present level, at least until the Budget on March 14, provided some support. The pound, like the dollar, continues to benefit from interest rate differentials.

Sterling rose ½ cent to $1.7735. The pound was unchanged at DM3.2600 and Y226.75, but fell to SFr2.7625 from SFr2.7725 and to FFr11.0975 from FFr11.1050.

According to the Bank of England, sterling's index rose 0.1 to 98.0.

£ IN NEW YORK

Jan.23	Latest	Previous Close
£ Spot	1.7680-1.7690	1.7770-1.7780
1 month	0.62-0.60pm	0.58-0.56pm
3 months	1.55-1.51pm	1.57-1.52pm
12 months	4.28-4.18pm	4.40-4.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.23	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6598	+2.83	+0.81	±1.5344
Danish Krone	7.85212	8.08743	+3.00	+0.98	±1.5404
German D-Mark	2.05853	2.08589	+1.33	-0.69	±1.0981
French Franc	6.90403	7.10341	+2.89	+0.87	±1.3674
Dutch Guilder	2.31943	2.35477	+1.52	-0.50	±1.5012
Irish Punt	0.768411	0.779203	+1.40	-0.62	±1.6684
Italian Lira	1483.58	1528.23	+3.01	+1.76	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7655 - 1.7760	1.7730 - 1.7740	0.62-0.59cpm	4.09	1.57-1.52pm	3.48
Canada	2.0955 - 2.1120	2.1065 - 2.1075	0.48-0.38cpm	2.45	0.92-0.78pm	1.61
Netherlands	3.67¼ - 3.69	3.67¾ - 3.68½	2¾-2¼cpm	7.54	6¼-6pm	6.66
Belgium	68.10 - 68.90	68.25 - 68.35	36-30cpm	5.80	91-81pm	5.04
Denmark	12.62¾ - 12.67½	12.64½ - 12.65½	5⅝-5¼orepm	5.16	14⅝-13⅞pm	4.66
Ireland	1.2150 - 1.2225	1.2085 - 1.2095	0.60-0.55pm	5.71	1.50-1.35pm	4.71
W. Germany	3.25¼ - 3.27	3.25¾ - 3.26¼	2¼-2⅛pfpm	8.05	5⅝-5½pm	6.98
Portugal	266.00 - 268.20	267.20 - 268.20	59-21cpm	1.79	124-32pm	1.17
Spain	202.20 - 203.40	202.40 - 202.70	24-13cpm	1.10	29-17pm	0.45
Italy	2384½ - 2396½	2388½ - 2389½	3-1lirepm	1.00	6-3pm	0.75
Norway	11.82 - 11.86½	11.84¾ - 11.85¾	2-1⅝orepm	1.84	5-4⅞pm	1.58
France	11.07¼ - 11.13½	11.09¾ - 11.10¾	4⅝-4⅜cpm	4.87	11¾-11½pm	4.21
Sweden	11.09¾ - 11.13	11.11½ - 11.12½	2½-2¼orepm	2.56	6¾-6⅝pm	2.32
Japan	226¼ - 227¼	226¼ - 227¼	1⅞-1¾ypm	9.59	4¾-4⅝pm	8.27
Austria	22.84 - 22.94	22.87 - 22.90	12¾-11¼gropm	6.29	37¼-32¼pm	6.07
Switzerland	2.75½ - 2.77	2.75¾ - 2.76¾	1⅞-1¾cpm	7.87	5-4⅞pm	7.15

Belgian rate is convertible francs. Financial franc 68.60-68.70. Six-month forward dollar 2.69-2.64cpm 12 months 4.28-4.18cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7655 - 1.7760	1.7730 - 1.7740	0.62-0.59cpm	4.09	1.57-1.52pm	3.48
Ireland†	1.4480 - 1.4580	1.4570 - 1.4580	0.25-0.30cdis	-2.27	0.58-0.68dis	-1.74
Canada	1.1860 - 1.1900	1.1880 - 1.1890	0.16-0.19cdis	-1.77	0.54-0.58dis	-1.88
Netherlands	2.0735 - 2.0870	2.0745 - 2.0755	0.62-0.59cpm	3.49	1.65-1.61pm	3.13
Belgium	38.40 - 38.70	38.45 - 38.55	6.50-4.50cpm	1.80	17.00-13.00pm	1.64
Denmark	7.12 - 7.16½	7.13 - 7.13½	0.75-0.50orepm	1.05	2.05-1.65pm	1.03
W. Germany	1.8365 - 1.8485	1.8375 - 1.8385	0.61-0.58pfpm	3.87	1.60-1.57pm	3.44
Portugal	150¼ - 151¼	150¼ - 150½	28-40cdis	-2.38	70-120dis	-2.51
Spain	114.05 - 114.90	114.20 - 114.30	28-33cdis	-3.19	91-98dis	-3.30
Italy	1345 - 1355¼	1346¾ - 1347¾	2.90-3.60liredis	-2.88	8.60-9.60dis	-2.69
Norway	6.68 - 6.70	6.68 - 6.68½	1.15-1.40oredis	-2.28	3.15-3.45dis	-1.97
France	6.25 - 6.29¼	6.25½ - 6.26	0.37-0.30cpm	0.64	1.12-0.97pm	0.67
Sweden	6.26¼ - 6.29¼	6.26¾ - 6.27¼	0.75-0.95oredis	-1.62	1.75-2.05dis	-1.21
Japan	127.65 - 128.30	127.75 - 127.85	0.57-0.55ypm	5.25	1.52-1.49pm	4.70
Austria	12.92½ - 12.99¼	12.93½ - 12.94	2.80-2.10gropm	2.27	9.90-7.90pm	2.74
Switzerland	1.5585 - 1.5670	1.5570 - 1.5580	0.53-0.50cpm	3.95	1.44-1.40pm	3.63

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.65-38.75.

EURO-CURRENCY INTEREST RATES

Jan.23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¼-13	13¼-13	13¼-13	13⅛-13	12⅞-12⅞	12½-12⅜
US Dollar	9½-8⅞	9¼-9	9¼-9⅛	9⅜-9¼	9⅜-9⅜	9⅝-9⅜
Can. Dollar	10¼-10½	10¼-10½	10⅞-10⅞	11⅛-10⅞	11⅜-11⅛	11⅞-11⅛
D. Guilder	6-5⅞	6-5⅞	6-5⅞	6⅛-6	6⅜-6¼	6½-6⅜
Sw. Franc	5⅝-5⅜	5½-5⅜	5⅝-5½	5⅜-5⅝	5⅞-5⅝	5⅜-5⅝
Deutschmark	5⅛-5	5⅝-5⅛	5⅝-5⅞	5⅞-5⅞	5⅞-5⅞	6⅛-5⅞
Fr. Franc	8½-8¼	8⅞-8⅞	8⅞-8⅞	8⅝-8⅞	8⅞-8⅞	8⅞-8⅞
Italian Lire	11-9	13-12	12¼-11⅝	12¼-11⅝	12¼-11⅝	12¼-12
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY RATES

Jan.23	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]	[illegible]
Neth. Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*All SDR rates are for Jan.20

CURRENCY MOVEMENTS

Jan.23	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1985=100). *Rates are for Jan.20

OTHER CURRENCIES

Jan.23	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1205.70-1215.40	679.00-684.60
Kuwait	0.50605-0.50720	0.28620-0.28640
Luxembourg	68.25-68.35	38.45-38.55
Malaysia	4.8105-4.8225	2.7150-2.7180
Mexico	4042.85-4053.95	2285.00-2290.00
N. Zealand	2.8465-2.8515	1.6050-1.6075
Saudi Ar.	6.6285-6.6390	3.7500-3.7510
Singapore	3.4370-3.4430	1.9405-1.9425
S. Af (Cm)	4.2315-4.2430	2.3910-2.3940
S. Af (Fn)	6.8190-6.9530	3.8460-3.9215
Taiwan	48.95-49.20	27.60-27.70
U.A.E.	6.4905-6.5030	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Jan.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.409	7.822	14.37	1000.	48.93	12.18	16.23	10534	9.250	301.1
F Fr.	0.901	1.598	2.937	204.4	10.	2.490	3.316	2153	1.899	61.54
S Fr.	0.362	0.642	1.180	82.08	4.017	1.	1.332	864.6	0.763	24.72
H Fl.	0.272	0.482	0.886	61.63	3.016	0.751	1.	649.2	0.573	18.56
Lira	0.419	0.743	1.365	94.94	4.645	1.157	1.540	1000.	0.882	28.59
C $	0.475	0.842	1.547	107.6	5.267	1.311	1.747	1134	1.	32.42
B Fr.	1.464	2.597	4.773	332.1	16.25	4.045	5.388	3498	3.085	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices improve

STERLING BASED futures rose on an optimistic note in Liffe trading yesterday. The more bullish tone derived its strength from a growing conviction that UK interest rates will end the year lower than current levels. However, most traders see little chance of much further advance in futures prices until base rates start to fall, and no change is expected at least until the UK Budget in March.

Short sterling for March delivery rose to a high of 87.42 before closing at 87.38 compared with 87.30 at the opening and 87.27 on Friday. Long gilt futures also showed useful gains. Trading in the March contract was brisk with over 21,000 lots changing hands. The contract finished at 97-08, below its best level of 97-16 but up from 97-00 at the previous close.

US Treasury bond futures recorded a marginal improvement.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 52,017

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Cautious optimism

LONGER TERM rates adopted a slightly easier stance in London yesterday, following a report from NatWest Capital Markets which suggested that UK base rates will be down to 10 p.c. by the end of the year. Shorter term rates were little affected however, with the market maintaining the view that rates are unlikely to change at least until the Budget on March 14.

UK clearing bank base lending rate 13 per cent from November 25

One-year interbank money opened at 12⅞-12¾ p.c. and fell to 12½-12⅜ p.c., from 12⅝-12½ p.c. on Friday. Three-month money was unchanged at 13⅛-13 p.c.

The Bank of England forecast a shortage of around £950m, and factors affecting the market included bills maturing in official hands and a take up of Treasury bills together with repayment of late assistance draining £937m. Unwinding sale and repurchase agreements accounted for a further £528m and banks brought forward balances £115m below target. These were partly offset by a fall in the note circulation of £465m while Exchequer transaction added £145m.

In an early round of assistance, the Bank bought £52m of eligible bank bills in band 1 at 12⅞ p.c. The forecast was revised to a shortage of around £1,100m, and the Bank gave additional assistance in the morning of £630m. This comprised outright purchases on £4m of Treasury bills and £20m of eligible bank bills in band 1. It also bought £10m of eligible bank bills in band 2, £28m in band 3 and £2m in band 4, all at unchanged rates. The balance of the help came through sale and repurchase agreements on £566m of bills at 12⅞ p.c., unwinding on January 30.

A further revision took the forecast to a shortage of around £1,150m, and the Bank gave additional assistance in the afternoon of £189m through purchases of £34m of Treasury bills, £17m of local authority bills and £138m of eligible bank bills all in band 1. Late help came to £280m.

Short-term rates were lower in Frankfurt after the Bundesbank announced a smaller than expected minimum reserve requirement for commercial banks in January. The figure has been set provisionally at DM56.9bn compared with market expections of around DM58bn. While this could boost liquidity levels, much depends on how much is allocated by the Bundesbank at its next sale and repurchase facility. The terms for this are expected to be announced today and successful applicants are likely to receive their allocations tomorrow.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.23)	3 months US dollars		6 months US Dollars	
	bid 9¼	offer 9⅜	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds	
Prime rate	10½	One month	[illegible]
Broker loan rate	10¼-⅛	Two month	[illegible]
Fed funds	9⅛	Three month	[illegible]
Fed funds at intervention	-	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

Jan.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.00-5.10	5.60-5.75	5.60-5.75	[illegible]	[illegible]	[illegible]
Paris	8⅛-8⅛	8⅛-8⅜	8⅞-8⅞	[illegible]	[illegible]	[illegible]
Zurich	4⅞-4⅝	5⅞-5⅜	-	[illegible]	[illegible]	[illegible]
Amsterdam	5.37-5.62	5.85-5.95	-	[illegible]	[illegible]	[illegible]
Tokyo	3⅞-3⅞	4¼-4⅞	-	[illegible]	[illegible]	[illegible]
Milan	11½-11⅛	12-12⅞	-	[illegible]	[illegible]	[illegible]
Brussels	5.70	7⅞-7½	-	[illegible]	[illegible]	[illegible]
Dublin	7¼-7½	7⅞-8	8-8¼	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan.23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13¼	13⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	12½	13	13	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	13⅛	[illegible]	[illegible]	[illegible]
Local Authority Deps.	13⅛	13⅛	13⅞	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	13¼	12⅞	12¾	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	13⅛	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	13⅛	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	12⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	12⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	13⅞	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	9.15-9.10	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	-	-	7⅞	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	7⅝	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	8¼	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	8	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 12⅞ per cent; three months [illegible] per cent; Bank Bills (sell); one-month 12¾ per cent; three months 12½ per cent; Treasury Bills: Average tender rate of discount 12.4220 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 30, 1988. Agreed rates for period January 25,1989 to February 25, 1989, Scheme I: 13.97 p.c. Schemes II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

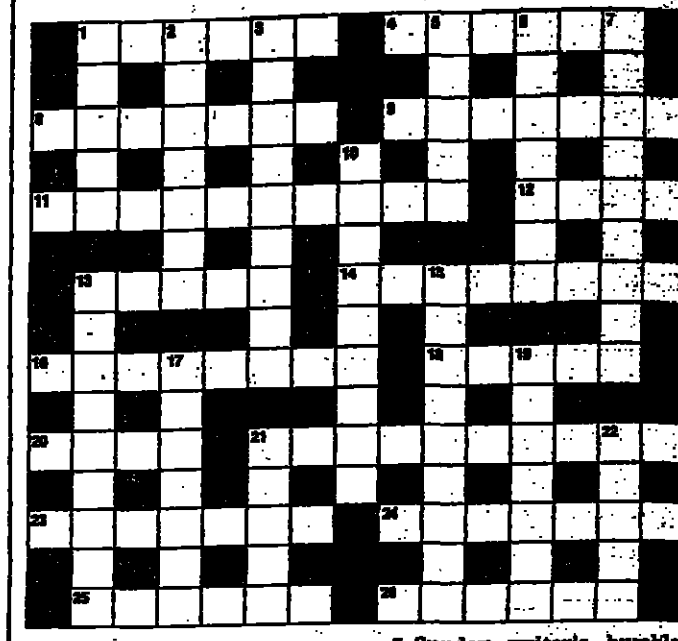
BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.22% Saveswise 8.47%. Top Tier-£10,000+ instant access 11.72% & Mortgage base rate. § Demand deposit 6%. Mortgage 13.62%-14.00%

CROSSWORD

No. 6,842 Set by FRESCA



ACROSS

1 Uncommon boxes with key (6)
4 Rum, for example, from one's country (8)
8 Praise the girl with three-quarter length stockings (7)
9 Fruit and nuts? (7)
11 Recoil well to the rear (6,4)
12 Teddy Nesbitt's bit of force? (4)
13 Giant given a turn in sports car (5)
14 Family provided with monster home after duke's act of consideration (8)
16 At 18 it's misery providing protection for some youngsters (8)
18 Head to tall rush of 20's (5)
20 Current male desire (4)
21 Look-out to crew — what's going off? (10)
23 Entertainment with a difference (7)
24 Ode to a princess with 23 (7)
25 Mean fine taken by parent with officer (8)
26 Fish in place of oysters sounded asinine (6)

DOWN

1 Hollow news story? (5)
2 Going down with a sack to collect metal (7)
3 Frightfully uneasy about giant's place of worship (9)
5 Sunday writer's humble abode? (5)
6 Pantomime puts youth in an uproar (7)
7 Is dozing a result of hit? (9)
10 Clergy should be supported in view of audience (4-5)
13 Wise man get a grip on it's treasure (5,4)
15 Nothing that is right is more mischievous (9)
17 Particular direction taken by ice particles in air formation (7)
19 Turning grey about mythical bird's food store (7)
21 From below a terrace all round 4? (5)
22 Moved gently up river with a cargo of arsenic (5)

Solution to Puzzle No.6,841

JOTTER PAD

PERSONAL

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
4pm prices January 23

[illegible]

MONTREAL
4pm prices January 23

[illegible]

Total Sales 7,328,181 shares

INDICES

NEW YORK DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 23	Jan. 20	Jan. 19	Jan. 18	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1523.2	1517.9	1512 0	1502.4	1657 8 (9/8/88)	1170.7 (30/2/88)
All Mining (1/1/80)	707 2	697.3	686.8	679.1	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	233.60	230.10	226 90	224 48	233.60 (23/1/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5707.43	5702.00	5693 00	5681 40	5720.60(16/1/89)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	285.07	287.60	289.22	288.67	289.22 (19/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	746.8	743.9	740.1	736.6	772.1 (8/8/88)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	440.1	441.3	438.8	438.2	441.3(13/1/89)	251.3 (29/1/88)
Ind. Tendance(30/12/88)	104.0	104.8	104.8	103.3	104.8(19/1/89)	100 0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	551.21	556.94	560.14	551 07	567.51(5/1/89)	396 40 (29/1/88)
Commerzbank (1/12/53)	1649.3	1668.1	1678.1	1651.1	1705.6(5/1/89)	1207 9 (29/1/88)
DAX (30/12/87)	1318.21	1323.14	1335.15	1323.68	1371.10(5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2897.53	2897.91	2909.66	2913.05	2913.05 (18/1/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	604.19	612.92	613.22	613.42	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	31332.88	31170.98	31311.40	31354.5	31354.55(18/1/89)	21217 04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2440.35	2425.72	2435.55	2451.90	2457.58(13/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	(u)	302.7	300.9	297.9	302.7 (20/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	(u)	266.2	263.7	261.4	266.2 (20/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	535.29	530.32	534.46	516.31	535.29 (23/1/89)	327 78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1096.00	1095.30	1099.24	1094.41	1177.87 (8/8/88)	833 60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1346.04	1329.0	1306.0	1308.0	1481.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2099.04	2089.0	2074.0	2067.0	2088.0 (20/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	278.16	283.07	283.73	283.57	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3519.1	3521.8	3514.7	3479.4	3521.8 (20/1/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	625.8	625.0	625.4	626.1	634.2 (16/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	502.3	500.7	505.1	506.6 (16/1/89)	401.0 (21/1/88)

**Saturday Jan. 21: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255 7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 23 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
MHI	128.4m	1,200	+30	Marubeni	18.9m	914	+20
Taisei	35.7m	1,370	+40	Hazama	14.9m	1,050	+40
Japan Line	37.6m	245	-23	Fujita	14.3m	1,040	+41
Sato Kogyo	24.6m	1,210	+50	Mitsui OSK	13.9m	803	+29
Nishimatsu	21.6m	1,010	+65	MELCO	13.8m	1,100	+20

4pm prices January 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	17¼	AAR	.44	1.7	18	144	26	25¾	25¾	– ⅛
10⅛	8⅝	ACM n	1.01	11.		19	9¼	9⅛	9⅛	– ⅛
12⅛	10¼	ACMIn	1.28a	12.		676	10⅜	10⅜	10¼	– ⅛
10⅛	8½	ACM M	n.17e	1.9		275	9⅛	9	9	– ⅛
12⅛	10⅛	ACM Sc	1.26	12.		x606	10⅛	10⅝	10⅛	
10⅛	8½	ACMSp	n1.01a	11.		348	9	8⅞	9	
5⅛	2⅞	AMCA	.12e	3.6		45	3⅛	3⅛	3⅛	+ ⅛
6⅛	3⅛	AM Ind				673	5	4⅞	4⅞	
23⅛	18⅛	AM Int pf	2	9.0		15	22⅛	22⅛	22⅛	+ ⅛
55⅝	33¼	AMR			7	3462	54	52⅝	52⅝	– ⅛
27	25	ANR pf	2.67	10.		4	26⅛	26⅛	26⅛	+ ⅛
9½	5⅞	ARX			10	57	5⅞	5⅛	5⅞	+ ⅛
45¾	35¼	ASA	3a	7.3		1141	41⅛	40⅞	41¼	+ ⅛
20⅛	12⅛	AVX	.24	1.3	13	142	18⅛	18⅛	18⅛	
52⅛	42⅞	AbtLab	1.20	2.6	14	3118	47⅛	46½	46⅞	– ⅛
20⅛	15⅞	Abitibi g	1			63	16⅞	16⅛	16⅛	
13⅞	7½	AcmeC	.40	4.3		139	9⅞	9⅛	9⅛	– ½
28½	17½	Acuson			21	1039	23⅞	22⅛	22¼	–1
17	14½	AdaEx	1.82e	12.		108	14⅛	14⅛	14⅛	+ ⅛
16⅞	7¼	AMD			78	2034	8⅛	8½	8⅛	+ ½
43½	28¼	AMD pf	3	9.4		2	31⅞	31⅞	31⅞	+ ⅛
8½	5½	Adobe				407	7⅛	7	7	
18½	16⅜	Adob pf	1.84	11.		41	17⅛	16⅞	16⅞	– ⅛
21¾	20	Adob pf	2.40	12.		2	20½	20⅛	20½	+ ⅛
9¾	5⅞	Advest	.12	1.5	16	160	7⅞	7½	7¾	+ ⅛
52½	38½	AetnLf	2.76	5.8	8	x710	48	47⅞	47¾	+ ⅛
44½	24	AfilPb s	.22	.6		9989	40	38	38¼	–1⅞
18⅞	13⅛	Ahmans	.88	5.1	10	2538	17½	17	17⅛	– ⅛
4⅝	1⅞	Aileen			21	22	3⅛	3½	3⅝	– ⅛
53⅛	37¾	AirPrd	1.20	2.7	12	984	45⅞	44⅞	44⅞	– ⅛

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 23

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 23

FINANCIAL TIMES Tuesday January 24 1989

AMERICA

Late selling burst brings lacklustre Dow to life

Wall Street

WITH the Bush administration now in place and in the absence of any leading economic reports, the week got off to a quiet start on Wall Street, *writes Karen Zagor in New York.*

The day started on a high note when the Dow Jones Industrial Average jumped more than 13 points in early trading, due mainly to futures-related buying, but this soon tailed off.

For most of the rest of the session, the Dow stood virtually unchanged from Friday's close. In the last half an hour, however, the index suddenly slumped to close 16.97 points at 2,218.39. Volume was moderate at 142m shares.

The slump appeared to have been triggered by programmed stock index arbitrage trades although some dealers blamed it on the dollar which weakened after another round of coordinated central bank intervention. In late New York trading, the dollar was quoted near the day's low at Y127.50 and at DM1.8315. However, its slide was not significant enough to undermine bonds.

The Treasury's benchmark 30-year long bond closed ¼ point higher in spite of the dollar's weakness to yield 8.85 per cent. Fed Funds closed at their highest level for the session at 9⅛ per cent, marking a return above 9 per cent – an area most bond traders believe to be the Federal Reserve's target range.

Both the debt and stock markets are now looking to the release of the December durable goods figures on Thursday and the advance report of fourth quarter gross national product figures on Friday.

US EQUITIES are likely to have an unexciting first half this year but prices should improve in the second half and 1990 could be "an outstanding year," according to Kidder, Peabody, the US investment bank, *writes Alison Maitland.*

This view is based on the expectation that US interest rates have further to rise, peaking in the second quarter, before beginning to fall in the third quarter, says Mr Joseph Fuchs, managing director and head of equity research at Kidder, Peabody, who was in London yesterday to talk to UK institutions.

Mr Fuchs believes the US economy should have a "soft landing", probably undergoing a mild recession by the end of the year but not enough to hit share prices, while the dollar should stay roughly in its recent trading range. The Dow Jones Industrial Average should hold in a range of 2,000 to 2,300 in the first half, and then climb to 2,350 or 2,400 by the end of the year.

Kidder, Peabody has lowered its equity exposure, with its institutional balanced portfolio currently 40 per cent allocated to equities, 10 per cent to debt and 50 per cent to cash. But it expects this to return to close to "normal" weightings of 70 per cent equities, 20 per cent debt and 10 per cent cash by year end.

Once the "wall of worry" about interest rates has been breached, equities should be revalued upwards next year, says Mr Fuchs.

Texas Eastern, the natural gas distributor, continued to climb on news that is was looking for an improvement on Costal's takeover offer of $42 a share. The stock was one of the most active on the New York Stock Exchange and closed with a gain of $1⅛ at $48⅝ – substantially above the offer price. The shares were traded just above $30 until 10 days ago.

Minnesota Mining and Manufacturing (3M) recovered from an early loss to close $⅜ higher at $62⅝ following the release of the company's fourth quarter earnings which were $1.21 a share compared to 96 cents a share a last year.

Monsanto, the chemicals and pharmaceuticals group, rose $1⅝ to $87⅞ on earnings per share of $8.27 up from $5.68 in 1987.

Corning Glassworks, the manufacturer of specialty glass products, fell back from morning gain of $⅞ to close unchanged at $70⅜ after news of 1988 earnings of $4.51 a share from $4.81 a year ago.

Union Carbide, the restructured chemical concern, lost $⅜ to $27⅜ on fourth quarter earnings of $1.59 a share against 17 cents a share last year.

Among the day's most active issues was Boeing which continued to weaken yesterday after last week's losses. Boeing shares dropped $1⅛ to $58⅛.

Other blue chips to lose ground were IBM, down $1⅛ at $122⅛, Digital Equipment which fell $⅜ to $105⅞.

Canada

PROFIT-TAKING brought Toronto stock prices lower after several days of merger-fuelled gains last week.

The composite index declined 14.90 at 3558.60 as falls outran gains, 418 to 331 on volume of 29m shares.

ASIA PACIFIC

Firmer yen helps Nikkei shake off cautious tone

Tokyo

THE MODERATE recovery of the yen and subsequent easing of pressure on short-term interest rates boosted investor confidence in Japanese equities yesterday and triggered a rally on substantial turnover, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which had fallen in the previous two sessions, gained 162.50 to finish the day at a high of 31,332.88.

Volume at 1.02bn shares was robust, particularly for a Monday. The Topix index of all listed shares gained 14.63 to 2,440.35 and in London the ISE/Nikkei 50 index rose 2.47 to 1,978.96.

Last week the weak yen week, higher interest rates and oil prices were the main factors behind the cautious mood, so investors were quick to react to an improvement in all those areas.

"The demand and supply balance is still very good," said Mr Makoto Matsuzaki at Goldman Sachs, the US securities firm. Demand from individual investors is strong and there are a number of new investment trust funds being offered at the end of the week. None the less there continues to be a cautious undertone as concern over the dollar, interest rates and oil prices is still in the air.

The improved environment gave investors an opportunity to take another look at the themes that have led the market recently, including defence and aerospace. Mitsubishi Heavy Industries, the largest defence contractor and a leader in the aerospace industry, again led in volume terms with 128.4m shares traded and rose Y30 to Y1,200.

Among large-capital issues, Ishikawajima-Harima Industries also attracted attention after a newspaper report that plans for urban redevelopment were becoming more specific and realistic. The group owns considerable property along Tokyo Bay, a prime area for urban redevelopment. The stock gained Y30 to Y1,180.

The government's decision to start work next year on three new bullet train lines has focused attention on construction companies which stand to benefit. Sato Kogyo, which specialises in tunnel construction, advanced Y50 to Y1,210.

Utilities, which had fallen for several sessions, rebounded after dropping substantially from their previous highs. Kansai Electric Power recovered Y160 to Y5,290 and Tokyo Electric Power Y80 to Y7,180.

Japan Line, the third most actively traded issue with 31.5m shares, lost Y23 to Y245. It had risen on Friday after news that the Industrial Bank of Japan would help support payment of its debts.

Investors in Osaka chose domestic demand related issues and the OSE average finished up 120.51 at 29,450.34. Turnover at 100m was moderately lower than the 104.8m traded on Friday.

Roundup

THE Asia Pacific markets ended little changed yesterday.

AUSTRALIA was underpinned by foreign institutional demand for leading mining stocks, and by the healthy rise in Tokyo. The All Ordinaries index added 5.3 to 1,523.0.

Improved gold and base metal prices helped the gold sector reach its highest level since November 30, putting in a rise of 14.1 to 1,495.4. Corporate news was plentiful.

Turnover was moderate, at 98m shares worth A$168m, as the liquidation of New Zealand's Equiticorp group continued to weigh on sentiment.

Elders IXL gained 5 cents to A$2.92 with 8.1m shares traded on speculation it would emerge from the Equiticorp liquidation with NZ Steel, which has escaped receivership. Among banking stocks, ANZ gained 2 cents to A$5.40 after assuring investors its exposure to Equiticorp was secure. The bank's options expire tomorrow.

SINGAPORE closed steady, with the Straits Times industrial index up just 0.69 at 1,096.00. Turnover increased to 46.5m shares from 38.2m on Friday.

HONG KONG was also little changed at the end of a session punctuated by profit-taking. Volume was surprisingly strong given uncertainty before tomorrow's land auction, which will indicate the state of property prices.

Norway stakes out a place at the summit

By Alison Maitland

THE Norwegian market has been triumphant this year, going from strength to strength on a combination of firm oil prices, favourable economic news and a shift in official attitude towards equity investment.

The accompanying table, the first in a weekly series, shows that Norway has been the best performer this year among the countries covered by the FT-Actuaries World Indices.

Its rise of 16.09 per cent in sterling terms since the start of the year compares with a gain of 3.94 per cent for Europe as a whole and of 3.91 per cent for the world. The momentum continued last week, with Norway the second strongest market in Europe behind Finland.

Norwegian equities have been helped by the abolition of the share turnover tax at the start of the year. Investors have also been allowed to increase the amounts they put into tax-favoured savings funds.

Higher oil prices have improved the picture on the trade balance, while inflation and consumption have been easing, leading to lower interest rates, says Mr Mikael Sjöwall, analyst with Kleinwort Benson. Last week's move in Sweden to allow unrestricted investment in foreign equities was another grist to the Norwegian mill as equities rose on the anticipated influx of funds from next door. Finland's strong rise last week was also attributable to the Swedish liberalisation.

The weakest market in Europe, both last week and since the start of the year, has been West Germany. After an extremely buoyant beginning to 1989, the enthusiasm for German stocks has evaporated amid worries about the D-Mark's weakness against the dollar, expectations of higher interest rates – duly reserved last week – and anxiety about a deterioration in earnings for motor group Daimler.

South Africa has made up some ground after a dismal performance in 1988 and turns out to have been the world's second strongest market both last week and since the start of the year. It has been helped by institutions moving some of their large cash holdings back into equities, by a recovery in the bullion price and by a slight firming in the financial rand, through which foreign transactions are carried out. The rains have also been better this year, helping the important agricultural account.

While last week saw falls in only five of the 24 markets covered, the overall World Index ended in negative territory. *This is because Japan,* with a 45 per cent weighting in the global market capitalisation, finished the week down 2.2 per cent. The Japanese market was hit last week by worries over the weaker yen, higher oil prices and a possible rise in global interest rates. The market's rise to new highs the previous week also instilled a note of caution.

Hong Kong managed further small gains last week, but the powerful rally at the start of the year showed signs of petering out amid caution about interest rates and the Government's latest land auction tomorrow.

MARKETS IN PERSPECTIVE

	% change in sterling †			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	+2.11	+0.56	+7.27	+1.57
Belgium	-0.05	+1.05	+29.18	+1.38
Denmark	+1.23	+3.30	+11.66	+3.29
Finland	+5.65	+4.38	+20.67	+4.74
France	+0.28	-5.17	+58.85	+3.53
West Germany	-1.87	-1.02	+21.04	+1.15
Ireland	+3.55	+2.91	+20.05	+2.31
Italy	+2.40	+2.39	+19.39	+2.33
Netherlands	+1.28	+4.55	+19.99	+2.79
Norway	+4.09	+15.93	+54.04	+16.09
Spain	+1.69	+4.12	+11.35	+3.07
Sweden	+0.07	+3.00	+42.14	+7.98
Switzerland	-1.74	+1.74	-0.82	+0.55
UK	+2.88	+8.09	+6.18	+6.79
EUROPE	+1.32	+4.88	+17.48	+3.94
Australia	+1.06	+5.73	+51.88	+6.67
Hong Kong	+2.85	+11.48	+31.83	+10.05
Japan	-2.20	+2.62	+36.32	+2.47
Malaysia	+0.10	+8.77	+26.59	+8.95
New Zealand	+0.40	+7.69	-5.97	+7.64
Singapore	-0.05	+10.18	+26.12	+8.84
Canada	+3.39	+9.05	+22.18	+8.71
USA	+1.57	+4.83	+18.67	+5.34
Mexico	+1.30	-2.17	+42.22	+1.84
South Africa	+5.65	+11.02	-3.22	+10.45
WORLD INDEX	-0.14	+4.42	+25.37	+3.91

†Based on January 20th 1989.

EUROPE

Scandinavia takes profit-taking in its stride

LEADING bourses had a sombre start to the week, with volumes lower and prices weak or little changed. Scandinavia held up well amid profit-taking, however, *writes Our Markets Staff.*

FRANKFURT was unable to shake off its worries over Daimler and shares closed generally down with some exceptions, notably in the steel and engineering sectors.

The FAZ index was off 5.73 at 551.21 while the DAX reflected a partial late recovery, ending off 4.93 at 1,318.21, in modest volume of DM3.5bn.

Daimler fell DM13 to DM679, compounding a DM18 drop on Friday, amid worries about its earnings prospects for this year and next and concern that a mooted rights issue may have to be large in order to finance the group's purchase of MBB, the aerospace company.

Krupp Stahl was a feature, jumping DM26, or 15 per cent, to DM210 on a magazine report that the chief executive of Deutsche Bank would take over as head of Krupp's supervisory board. Krupp and Deutsche Bank declined to comment on the report, which fuelled takeover speculation.

Thyssen, boosted by record results from its specialty steel unit, rose DM2.60 to DM206.40.

Among other strong performers, IVG, the property management group, jumped DM30, or 10 per cent, to DM325 on speculation that Deutsche Bank's research subsidiary would publish a study suggesting the company had a very high property value per share.

PARIS had a quiet end to the monthly account, with book-squaring the order of the day. Investors are not nearly as bullish about the new account as the last, said one analyst.

The rise in bank lending rates was a minus for the market, and the CAC General index opened off 1.2 at 440.1, while the OMF 50 index gave up 2.05 to 458.08.

Moulinex had another active session, with 320,500 shares traded, rising FFr2.40 to FFr128.80. The company's good fundamentals are still feeding through into the price. Construction stock Maisons Phenix was another busy issue, adding FFr3.70 to FFr85.80.

Elf Aquitaine, forecasting sharply higher consolidated net profits for 1988, put on FFr5 to FFr437. Cerus was requoted after its suspension for its merger with Dumenil-Leblé, closing up FFr9.10 at FFr465.10.

MILAN was hit by weekend news that the balance of payments deficit had widened last month and by speculation that the Government would introduce a capital gains tax soon rather than towards the end of the year as expected.

The Comit index lost 8.73 to 604.19 in thin volume, possibly below L100bn, compared with Friday's L200bn.

Fiat shed L200 to L9,950, while retailer Standa dropped L850 to L22,050 for a two-day loss of 7 per cent after Mr Silvio Berlusconi said last week he did not intend to take the company private.

Publisher Mondadori jumped L1,350, or 6 per cent, to L24,100.

STOCKHOLM took a breather after last week's all-time highs and closed little changed, with the Affärsvärlden General index off 0.1 at 1,045.3.

"Most of the brokers are focusing attention on their new-found ability to invest abroad," said one salesman. Volumes were low, at SKr274m.

Some blue chips were still in demand though, and Skandia was heavily traded, adding SKr3 to SKr203. Atlas Copco also found SKr3, closing at SKr294.

OSLO began the week on a positive note, holding its ground in the face of inevitable profit-taking after the increases seen last week.

Volumes were lower than in the hectic trading seen on Thursday and Friday, falling to NKr370m, about half that of the previous session. The all share index rose 1.48 to 396.54.

Lower oil prices prompted investors to take profits in that sector, and Saga Petroleum fell NKr1.50 to NKr116 while Norsk Hydro lost NKr1 to NKr142.50.

Norsk Data voting A shares dropped NKr2 to NKr44, and its free B shares NKr3 to NKr46 before today's results, which are expected to show the company's first ever annual loss.

HELSINKI benefited from Sweden's liberalisation, with brokers reporting strong demand for select blue chips after Friday's busy session. The Unitas all share index added 2.9 to 746.8.

Pohjola was quoted at FM95.50, up FM2.50, and later in London rose to FM96. Union Bank of Finland rose to FM30.60 from FM30, and in London was later at FM31.75.

MADRID was knocked by the higher-than-expected rise in December inflation and concomitant worries over possible interest rate increases. The general index lost 3.84 to 278.16.

The inflation figure, which came out late on Friday, showed a rise of 0.8 per cent, taking the annual figure to 5.8 per cent – well above the Government's original target.

ZURICH was cramped by low volumes, closing almost unchanged amid caution fired by recent volatility in foreign exchange markets. The Credit Suisse index eased 0.1 to 553.8.

AMSTERDAM was led higher by Unilever and Royal Dutch, with the CBS tendency index adding 0.5 to 188.3 in quiet trading.

Unilever and Royal Dutch, accounting for more than half of market capitalisation, rose Fl 1 to Fl 128.40 and 80 cents to Fl 124.60 respectively. Their advance over the past 10 days is the first time in several months that they have outperformed the market for a sustained spell, said one analyst.

He added that Amsterdam showed unusual resilience to a weaker dollar yesterday and behaved "much more like a real stock market with shares rising and falling for individual reasons rather than moving together."

SOUTH AFRICA

GOLD issues closed mostly firmer in response to the stronger bullion price but gains were modest because of a sharp rally by the financial rand.

Vaal Reefs gained R6 to R289 and Freegold rose 75 cents to R30.25 but Randfontein eased R3 to R232.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 23 1989					FRIDAY JANUARY 20 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	151.44	+0.5	126.60	114.98	4.67	150.68	126.32	114.70	152.31	91.16	100.39
Austria (18)	96.42	+1.4	80.60	92.11	2.67	95.07	79.70	91.30	100.00	83.72	89.15
Belgium (63)	133.96	+0.4	111.98	127.85	3.93	133.37	111.81	127.62	139.89	99.14	104.08
Canada (126)	132.47	-0.7	110.74	114.01	3.20	133.42	111.85	114.77	133.42	107.06	109.50
Denmark (39)	157.81	-0.2	131.93	153.09	1.98	158.10	132.54	153.96	161.60	111.42	112.33
Finland (26)	133.46	+0.7	111.56	119.45	1.46	132.54	111.11	118.66	139.83	106.78	109.71
France (131)	116.07	-0.3	97.03	113.93	2.85	116.43	97.61	114.70	117.51	72.77	74.56
West Germany (102)	85.08	-0.3	71.13	81.30	2.32	85.38	71.58	81.83	90.40	67.78	69.50
Hong Kong (46)	120.03	-0.2	100.34	120.17	4.11	120.28	100.84	120.45	120.91	84.90	91.43
Ireland (18)	133.69	+1.4	111.76	129.25	3.90	131.80	110.49	127.85	144.25	104.60	112.90
Italy (98)	84.35	-1.3	70.51	84.85	2.37	85.43	71.62	86.19	86.88	62.99	70.11
Japan (456)	193.75	+1.0	161.97	156.52	0.48	191.84	160.83	155.52	197.43	133.61	147.02
Malaysia (36)	150.25	+0.1	125.60	157.19	2.71	150.04	125.78	157.41	154.17	107.83	119.87
Mexico (13)	*163.43*	*+1.4*	*136.62*	*408.74*	*1.25*	*161.12*	*135.07*	*404.91*	*182.24*	*90.07*	*124.96*
Netherland (38)	114.88	+0.7	96.03	108.80	4.54	114.04	95.61	108.27	114.88	95.23	95.82
New Zealand (24)	69.92	-1.7	58.45	59.63	6.60	71.13	59.63	59.85	84.05	63.32	76.18
Norway (26)	159.37	+0.4	133.23	144.56	1.88	158.79	133.12	144.62	159.67	98.55	103.91
Singapore (26)	133.48	+0.3	111.58	119.42	2.23	133.11	111.59	119.13	135.89	97.99	105.57
South Africa (60)	124.32	-1.5	103.93	105.54	4.38	126.17	105.77	105.07	139.07	98.26	130.46
Spain (42)	148.53	-0.8	124.17	128.56	3.25	149.68	125.48	130.12	164.47	130.73	136.60
Sweden (35)	146.83	+0.5	122.74	136.28	2.10	146.12	122.50	136.11	146.97	96.92	104.65
Switzerland (57)	77.64	+1.2	64.91	74.97	2.26	76.75	64.34	74.58	86.75	74.13	77.47
United Kingdom (314)	142.22	+0.7	118.89	118.89	4.55	141.27	118.43	118.43	142.22	120.66	129.01
USA (570)	115.76	-0.7	96.77	115.76	3.62	116.55	97.71	116.55	116.68	99.19	102.91
Europe (1007)	116.78	+0.2	97.62	105.14	3.59	116.52	97.68	105.24	116.78	97.01	99.19
Nordic (126)	143.04	+0.3	119.58	129.84	1.97	142.66	119.60	129.93	–	–	–
Pacific Basin (678)	188.96	+0.9	157.96	153.19	0.70	187.18	156.92	152.26	192.26	130.81	143.08
Euro-Pacific (1685)	160.06	+0.7	133.81	134.13	1.56	158.90	133.21	133.60	161.61	120.36	125.54
North America (696)	116.67	-0.7	97.53	115.69	3.59	117.46	98.47	116.48	117.55	99.78	103.26
Europe Ex. UK (693)	100.88	-0.1	84.33	96.76	2.82	101.02	84.69	97.23	102.91	80.27	80.73
Pacific Ex. Japan (222)	131.55	+0.1	109.97	111.06	4.41	131.36	110.12	111.00	131.55	87.51	95.52
World Ex. US (1884)	158.75	+0.7	132.71	133.31	1.63	157.69	132.20	132.82	160.10	120.26	125.05
World Ex. UK (2140)	142.25	+0.2	118.92	128.28	1.99	141.93	118.98	128.25	143.47	111.77	115.25
World Ex. So. Af. (2394)	142.35	+0.3	119.00	127.53	2.21	141.95	119.00	127.46	143.13	113.26	116.37
World Ex. Japan (1998)	117.45	-0.3	98.18	111.99	3.64	117.83	98.78	112.46	117.83	100.00	101.82
The World Index (2454)	142.24	+0.3	118.90	127.38	2.22	141.86	118.92	127.31	142.98	113.37	116.46

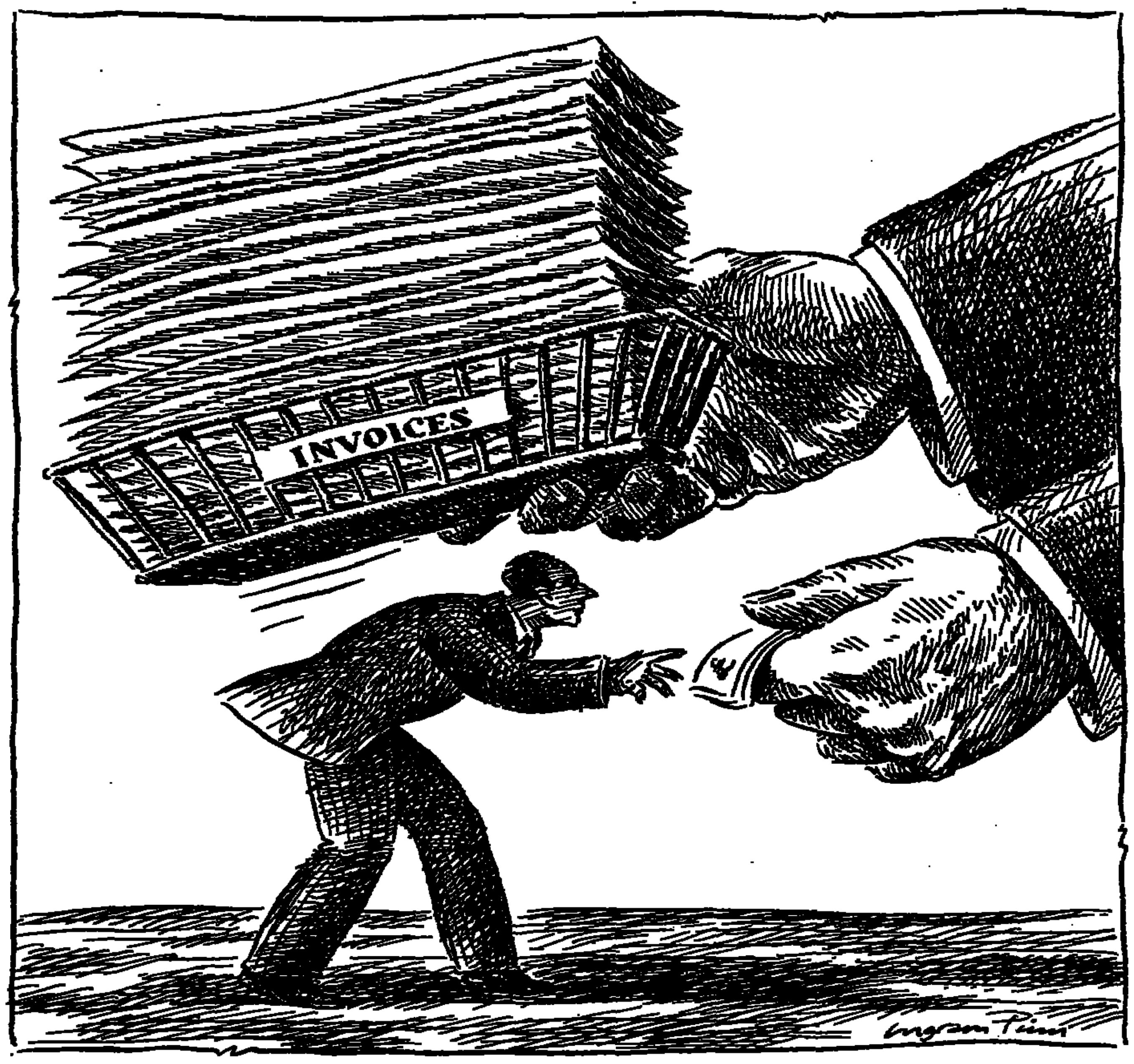
Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

SECTION III

FINANCIAL TIMES SURVEY

The service that can help a business to grow by making use of unpaid invoices was slow to shake off customer resistance, writes **Charles Batchelor**. But now its use is expanding, and the amount of cash advanced by factors to UK clients rose by a third during 1988.

FACTORING



Out of the cupboard

FACTORING HAS flourished both in Britain and worldwide during the 1980s. It is perhaps not surprising that demand for a service which can, at short notice, pay a businessman up to 80 per cent of the value of his outstanding sales invoices should have expanded during a time of strong economic growth.

And yet, despite the factoring industry's improving fortunes, the reputation acquired by factors as lenders of last resort to failing companies persists. Many businessmen resist the idea of employing a factor to handle their invoices, for fear of what their customers might think. Others use the service on a confidential basis, so their customers never know a factor is involved. Factoring has taken longer than most financing innovations - hire purchase or the credit card - to shake off this customer resistance.

Growth has also been hampered by the very name factoring, which means little to most people outside the industry other than vague connections with trade. To improve the industry's image, the Association of British Factors, which represents 10 of the largest companies, is boosting its promotional budget and adopting a higher profile.

The opportunities have never been greater. Small business lobby groups have recently highlighted the cash flow problems that late payments cause their members. Small businesses in Britain wait an average of 75 days from the date of invoice for payment, and no less than £57bn of unpaid invoices are outstanding at any time, according to one estimate. Releasing just some of this money would ease a major constraint on the country's small business sector.

The worldwide factoring industry in its modern form has its origins in the US textile trade of the 1890s, when the introduction of high tariffs on imports turned many East Coast textile agents effectively into factors for American suppliers.

Factoring in the US has remained largely based on the textile trade, but in the 1960s the technique was imported into Britain and then into the rest of Europe.

In the early days of factoring in the UK, too many unsound businesses were backed and the industry got a name for being a "lender of last resort". Despite the early difficulties, the present domination of the industry by the banks is leading to a change in perceptions.

Britain, the third largest factoring market after the US and Italy, now has some 30 factoring companies servicing clients with turnover of more than £10bn in 1988. Two-thirds of them are grouped into two associations. The Association of British Factors (ABF) represents 10 of the the larger, generally bank-owned companies, which account for about 90 per cent of all UK factoring; and the Association of Invoice Factors is a grouping of nine of the smaller factors.

The combined turnover of companies serviced by ABF members rose by 25 per cent to £8.84bn in 1988, while the amount of cash advanced to clients at the year end rose by 33 per cent to £795m.

The total number of clients served by ABF members rose by 14 per cent to 6,180. They represented a wide spread of industries, including manufacturing with 46.4 per cent, distribution with 34.3 per cent, and services with 13.7 per cent.

Factoring also expanded on a worldwide basis during 1988, though the most recent international figures, for 1987, show an increase of 34 per cent during that year to $139.8bn (£78bn), according to Factors Chain International, which links factors in 34 countries for the purpose of import and export factoring.

Factoring is being used to help finance the international trade of a growing number of countries. Factors Chain International has recently been attempting to encourage the growth of factoring in Greece, Turkey, India and Indonesia; while Griffin Factors, part of the Midland Bank Group, last August became the first UK factor to finance exports from China.

Factoring is a means of financing a company's growth by making use of an asset which banks and other providers of funds tend to overlook - the unpaid invoices the company has issued to customers. By concentrating his attention on a company's sales ledger, the factor is able to advance funds against an asset that other lenders consider too risky to consider.

The factor can provide three related services. He can take over the client's sales ledger, sending out invoices and making sure the bills are paid; he can provide immediate cash equivalent to up to 80 per cent of the value of his client's invoices; and he can assess credit risks and insure his client against bad debts.

The advantages to the client are that he is saved the expense and trouble of maintaining his own sales accounts department, and his salesmen do not have to cloud customer relationships by reminding customers about previous, unpaid bills.

Even more important, the company using a factor does not have to wait for customers to pay their bills, so it has funds immediately available to finance work in progress and new orders. Finally, the credit assessment services reduces the risk of bad debts or, if the company is insured, can eliminate them entirely.

A major problem facing the growing company is the difficulty in raising overdraft finance from its bank to fund further growth. Once a bank has lent up to what it considers prudent, the branch manager is usually unable to go any further, even if the businessman has firm orders he needs to finance.

"The bank manager tells the businessman to consolidate, to get his assets up," says Mr David Bezzant, sales director of Lombard Natwest Commercial Services. "Yet it is hard to consolidate. It means turning away customers. The factor on the other hand says 'Go on. Expand'."

The factor is able to advance funds against invoices because, unlike the bank manager, he keeps in daily or weekly touch with the client and sees the flow of invoices and payment cheques. The banker, by contrast, may be judging his client on a balance sheet and accounts which are up to 18 months old.

The factors see their market among expanding smaller companies which do not have the strength of balance sheet to raise sufficient finances elsewhere. Typically, they seek to back a company which has £100,000 of turnover and upwards, and which is selling its products on short-term credit to trade customers.

Some of the larger factors set a minimum turnover figure of £250,000, because it is not worth their while to set up their systems for smaller volumes of business. Many factors are however ready to back start-up companies if there is the prospect of rapid turnover growth in the first year or so. Others will provide factoring finance as part of a management buy-out.

Factors will, typically, charge a fee of between 0.5 and 3 per cent to administer a company's sales ledger, while advances against invoices will carry an interest rate of 1.5 to 3 per cent above bank base rate. Sometimes a factor will provide the money more cheaply than the banks, but he will probably make up for it in his administration fee.

The growing popularity of factoring among financial institutions has increased competition and led to fears that some factors may be cutting corners to get business. "A few years ago, if you tendered for a contract, you would be the only company, but now you come across all the other factors," says Ms Pat Cooper, sales director of Berisford Factors, part of S&W Berisford, a food and commodities group.

"Competitive pressures are leading to people taking on marginal business," says Mr Leslie Bland, managing director of Century Factors. "There is pressure on the big organisations to get market share."

A particular worry is the rapid growth of invoice discounting, which simply provides cash against the invoices. Since the client retains control of its sales ledger, the factor is not so close to its affairs, and there is greater opportunity for either maladministration or even fraud. The fraud that worries the factor is that the client will create false or "fresh air" invoices, or that he will hold on to payments made by customers which should be paid on to the factor.

Those companies which offer just an invoice discounting services, without having all the sales ledger administration skills to back it up if something goes wrong, may be most vulnerable if there is a downturn, warns Mr Ben Allen, managing director of Kellock, now part of the Bank of Scotland group.

While some people fear that the factoring industry has grown too fast, others point to its unexploited potential - particularly in the financing of international trade. If factoring can overcome the prejudices which remain, it could become as successful a method of financing business in the early 1990s as leasing was in the 1970s.

CONTENTS

FACTORING 2

Factoring does not describe one single service, but a portfolio of complementary financial services that come under a variety of confusing names, and from which clients may select one or more elements. On this page, **David Waller** explains the variations.

'Full service' for cash and help with chores

THE MOST popular package is the so-called "full service".

Here, the factor gives its corporate client a mix of services, which embrace both sales ledger administration and the provision of finance raised on the back of the company's invoices.

At the core of the relationship between the factor and the client is the factor's undertaking to buy most of the company's debts as they arise during the normal course of trading. At the same time, the factor takes full administrative responsibility for running the company's sales ledger.

The factor gives an immediate cash advance against the value of the invoices. It takes on board the time-consuming chore of sending out statements and chasing late payers. On top of that, the factor can provide credit protection against customer default.

The mechanics are simple. As soon as goods are delivered, the company sends an invoice to its customer and a duplicate to the factor. From that time on, the factor assumes financial and administrative responsibility for that invoice. The company is entitled to draw cash on the nail up to 80 per cent of the face value of the invoice. It receives the balance when the customer finally pays up – or a predetermined number of days after the invoice date.

Not all companies are suitable: certain criteria have to be met

According to the various factoring firms, which have only recently started to make efforts to shrug off their poor image as "financiers of last resort", the advantages to the company are manifold. Griffin Factors, the Midland Bank arm, lists them as follows:

☐ The company can pay its suppliers promptly. This will enable it to tease the finest terms from its creditors, taking full advantage of cash discounts, bulk purchases and discounts.

☐ Optimum stock-levels can be maintained.

☐ It is easier to predict cash-flow.

☐ Growth can be financed through sales rather than an injection of capital from external sources. The company is better able to accept large orders.

☐ Management resources can be concentrated on running the business and need not be distracted by dealing with recalcitrant debtors. Sales relationships are not shattered by managers and sales staff pestering customers for prompt payment.

☐ The company can save the cost of running its own sales ledger department. Staff overheads are minimised, as are administrative costs incurred on stationery, postage, telephone and use of head office space.

☐ The company gets finance linked to the current level of business. By contrast, overdraft limits tend to be determined by historical balance-sheet ratios. Thus a conflict can arise between the expansion-minded entrepreneur and the over-cautiousbank-manager. When a company is up against its overdraft limit and yet aware of sales opportunities, factoring can provide a solution.

Not all companies are suitable for factoring: certain financial and industrial criteria have to be met.

Barclays Commercial Services says that for a company to be eligible for the full service, the business should: have a projected turnover of £200,000 or more in the next 12 months; sell goods on normal trade terms; have a spread of debtors so that no one debtor is responsible for more than 25-40 per cent of the total outstanding debt; have an average invoice value of more than £100.

The facilities are particularly suited to companies whose cash flow is hard hit by inefficient debt collection, or are experiencing a strain on their resources due to seasonal demand for their products.

As with any type of asset finance, the institution will pay much thought to the use to which the money is to be put. Factoring pre-payments are intended to provide working capital, not to finance investment in fixed assets.

In terms of industry, factoring is best suited to companies that supply raw materials, components, consumer goods or other types of widgetry. Companies that supply complex plant and equipment, long-terms service contracts or high value, one-off projects are not ideally suited to factoring.

The reason is simply that invoices for those products and services in the latter category are more open to dispute. Widgets are not subject to after-sales services and thus can easily be collected by the factor.

Approximately 80 per cent of companies that use factoring are in the manufacturing or construction sectors.

Charges for the service are made up of two parts. There will be a service charge, which varies according to the amount of work done in running the sales ledger, chasing debts and providing credit protection. This will be calculated as a percentage of turnover, ranging from 0.75 to 2.5 per cent of turnover. And if the company takes advances on the back of invoices received, it pays a finance charge which is broadly in line with standard overdraft rates.

TYPES OF FACTORING AND WHAT THEY COST

	Finance	Credit protection	Credit advice	Sales ledger accounting	Collection service	Disclosed to customers	Available on export sales	Range of charges: Service charge (% of turnover)	Discount charge (Bank BR + %)
Full factoring (non-recourse factoring)	Optional	Yes	Yes	Yes	Yes	Yes	Yes	0.5-3.5	+2.0/3.5
Recourse factoring	Optional	-	Yes	Yes	Yes	Yes	Yes	0.5-3.5 (extra on debts over 90 days)	+2.0/3.5
Agency factoring	Yes	Possible	-	No	No	Yes	No	0.4-1.3	+2.0/3.5
Bulk factoring	Yes	Possible	-	No	No	Yes	No	0.7-1.0	+2.0/3.5
Undisclosed factoring	Yes	Possible	No	No	No	No	No	0.2-0.7 or nil	+2.0/3.5
Invoice discounting	Yes	Possible	No	No	No	No	No	0.2-0.7 or nil	+2.0/3.5

Receivables financing: A generic term, primarily used in the US, to cover finance based on the debtor asset - factoring and invoice discounting

Source: Peat Marwick McLintock

Daily contact helps to assess the credit risk

IT MUST be one of the truisms of business that there is no point in making a sale if the customer doesn't subsequently pay up.

Factors can assist in this vital area by:

☐ Providing credit assessment services. . . The factor will recommend credit limits for each individual customer, based on the factor's knowledge of thousands of companies across all business sectors. Not without justification, the factor claims that its daily dealings with its clients' customers puts it in a better position to assess creditworthiness than the small, expanding business.

☐ Offering credit protection as well. . . For a fee, the factor will offer credit protection of up to 100 per cent of the face value of an approved invoice. This means that the factor bears the loss if the customer should default. The technical name for this service is "non-recourse" factoring – i.e. the factor does not have recourse to its clients if an invoice ends up being worthless.

These credit services are available as part of the full service factoring package, or can be taken on board in tandem with invoice discounts. The fee forms part of the administrative charge, calculated as a percentage of turnover.

Invoice discounting lifts off

INVOICE discounting is by far the fastest growing area of the factoring industry.

This no-frills service is used by companies who want cash in exchange for their invoices and little else. The client maintains full responsibility for administering its sales ledger and chasing up slow-payers.

Figures from the Association of British Factors show just how popular the service has become. The volume of invoice discounting business handled by ABF members grew from £120m in 1977 to £3.06bn 10 years later, at the rate of 25 per cent a year. Barclays Commercial Services predicts a 50 per cent increase in this sector in the current year.

What makes it so popular? A key reason must be that customers of a company using invoice discounting need never know that a factor is in any way involved. All that happens is that the factor provides a finance facility against sales invoices, but without any of the paraphernalia of other services such as credit management and sales administration.

Griffin Factors, the factoring arm of the Midland Bank, attributes the popularity of the service to high demand for working capital from fast-growing businesses and, crucially, to the confidentiality of the service – a company need not suffer whatever residual stigma there is associated with the use of factoring.

Customers need not know a factor is involved

(Invoice discounting does not have to be confidential. It is possible for a company to run its own sales ledger administration, raise cash from a factor on the back of an invoice, and for the company's customers to be aware of the factor's role insofar as payment will be made direct to the factor.)

Another consideration is that the service provides a source of off-balance sheet finance. Under current accounting convention, there is no reason to disclose the extent to which a company has made use of the factor, with the result that key balance sheet ratios – not least gearing – are enhanced.

No Tom, Dick or Harry of a company can avail itself of invoice discounting. Rigid criteria apply. Barclays is fairly typical insofar as it requires clients to have a minimum net worth of £50,000. They must also be deemed to operate an efficient sales ledger and credit assessment system. Turnover should be at least £500,000 and goods should be sold on normal trade terms (e.g. net 30 days). It is also crucial that the company have a spread of debtors so that no one customer accounts for more than 25 to 40 per cent of debts outstanding.

These criteria are stiffer than those that apply to companies embracing the full factoring service, for the simple reason that the factor itself does not take any responsibility for sales ledger administration or credit assessment. Thus companies using invoice discounting must be stronger financially and administratively than those which leave more in the hands of factors.

The services offered by the factor are flexible. The company will be visited by a squad of professionals from the factoring firm who will take great pleasure in scrutinising procedures and assessing customer creditworthiness. Depending on what they find, they will offer the financial facility on (a) all invoices on all customers; (b) all invoices on agreed customers; and (c) selected invoices on agreed customers as and when required.

The practicalities of invoice discounting are as follows. The basis of the relationship with the factor is agreed. The company sends out its invoices as usual, but also sends a duplicate to the factor. Upon receipt of this, the factor advances up to 70-80 per cent of the face value of the invoice. It is then up to the company to send out second invoices, statements, bailiffs and so forth. The customer makes payment into a separate nominated bank account.

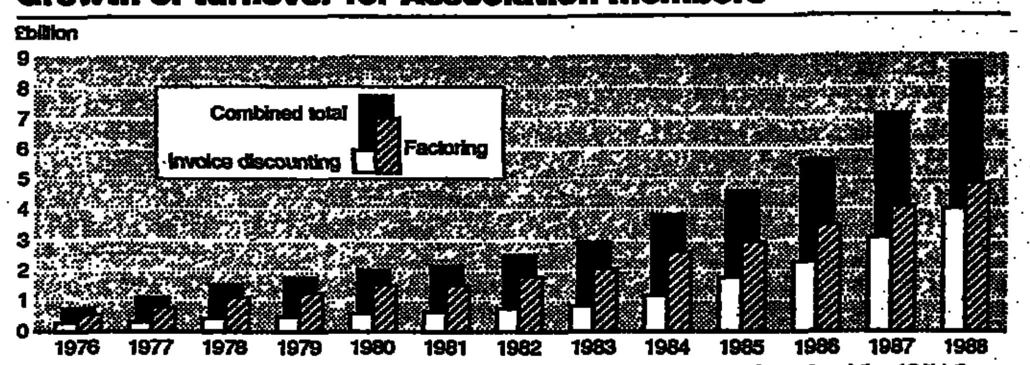
Under normal circumstances, the company is liable for any debts that turn out to be uncollectable, and the factor can thus claim. In factoring jargon, the factor has "recourse" to the company for the value of the defunct debt. However, by paying extra for credit protection, the company need not be liable in the event of customer callapse.

The costs are structured in same way as for full service factoring. But the administrative charge, at least, is lower than that for the full service, for the simple reason that there is less administration involved. Expressed as a percentage of invoices handled, the charge will tend to be between 0.25 and 0.75 per cent of turnover.

On top of that, there is a discounting charge in line with normal overdraft rate, i.e. struck at a given percentage above base rate. The discount is calculated daily in arrears. There is thus some incentive for the company to rake the cash in as early as possible. (The charge is only applied when it takes advantage of the cash-up-front facility.)

Factors argue that the growth in the use of invoice discounting reflects a growing understanding of the benefits to companies of factoring services as a whole. Certainly, those companies using the no-frills service are robust commercial creatures – otherwise the factor would not expose itself to the credit risk – and thus a far cry from the stereotyped image of the ailing company turning to factors only at the last resort.

Growth of turnover for Association members



Source: Association of British Factors

Charles Batchelor on changes among the main players

Early purchase may herald a shift back to service

THE NEW year has already produced another change of ownership in the factoring industry. Interestingly, after three years that have seen the banks progressively strengthen their grip on the business, a non-banking company has made its entry into the sector.

Trade Indemnity (TI), the UK credit insurance group, which earlier this month bought a half share in H&H Factors, believes factoring is a logical extension of its existing business. Credit risk management is, after all, already part of the sales ledger service offered by many factors.

Significantly, after several years in which the fastest growth in the factoring sector has been in the provision of finance, TI's entry may herald a shift back to the service element of factoring which consists of credit assessment and the administration of invoices.

Despite the apparent fit of TI's existing business with factoring, however, some people in the industry question whether TI will have an easy job in adapting to its new environment. It may not find its credit insurance customers that ready to transfer their factoring business to H&H, while other factors may move credit insurance business they used to place with TI away from their new rival.

TI is not the only non-banking company to come into factoring recently, but it has been the bankers who, throughout the late 1980s, have come to dominate the sector even more comprehensively than they did before.

The clearest indication of the bankers' interest came with the return of Barclays Bank in 1987 with the acquisition of a 75 per cent stake in Arbuthnot Factors, now renamed Barclays Commercial Services.

Barclays had pulled out of factoring in 1983 after making losses, but had found its position as the sole clearing bank without a factoring subsidiary an uncomfortable one.

"They had to put their factoring business out elsewhere, and that gave the other banks a toehold in their customers," said Mr Bernard Jenkins, who was involved in the founding of Arbuthnot and is now executive chairman of Barclays Commercial Service. "They should have restructured five years ago and battled on. The amounts involved in their terms were very small."

Barclays' experience highlights the paradox of the big banks' involvement in factoring, a business which, because it funds current assets rather than securable fixed assets, goes against the rules of conventional banking.

It is precisely the customers who have been turned down by their bank manager for a loan or a larger overdraft who call in a factor. And, logical though it may be for the banks to fill this gap in their service by buying factors, the relations are not always easy.

Head office may take a strategic decision to go into factoring, but persuading branch managers to recommend the service is another matter. "The banks don't understand factoring," says one former bank manager turned factoring company director, who recalls his own early suspicions of factoring.

"Bankers still don't believe in factoring," says Mr Ben Allen, managing director of Kellock, since 1987, a 95 per cent subsidiary of the Bank of Scotland. "A bank manager will not recommend it to his best clients since he wants to help them himself."

Not all acquisitions of factors have gone smoothly. In several earlier instances the takeover has been followed by defections by senior executives and by rather clumsy attempts by the banks to slot their new acquisitions into their corporate structures.

But these problems have not prevented the banks from increasing their presence. And the factors themselves have been only too ready to accept the strong financial backing provided by the banks.

Apart from Barclays, the past three years have seen The Royal Bank of Scotland set up RoyScot Factors in 1986, while in 1987 TSB bought First National Bank of Boston's factoring arm, since renamed UDT Commercial Finance.

Most of the large factoring organisations are now controlled by large banks. Lloyds is the largest player, owning both Alex Lawrie Factors and International Factors. National Westminster Bank owns Lombard Natwest Commercial Services, known formerly as Credit Factoring International, while Midland Bank has Griffin Factors.

Security Pacific, the US banking group, bought Anglo Factoring Services – now renamed Security Pacific Finance (Europe) – at the end of 1986. The bank had previously financed corporate fixed assets and felt it a logical extension to finance the current asset part of the balance sheet too, says Mr Colin Cookson, vice president.

The TI purchase of a stake in H&H Factors means ownership is now shared jointly with Heller Overseas (itself part of Fuji Bank). The only major factoring company not owned by a UK clearing or large foreign bank is Century Factors, which is 95 per cent owned by Close Brothers, a merchant banking group.

The advantage to a factor of the backing of a large bank is clear. Factoring requires large sums of ready cash, which only the largest financial groups can provide. If this financial backing is not available the factor is particularly vulnerable to bad debts and fraud, or may simply not be able to keep up with the growth of his clients and lose them to larger rivals.

But factoring is not just for the bankers. S&W Berisford, the food and commodities group, decided to make factoring part of its expansion into financial services with the launch last April of Berisford Factors. The new company has taken on some 25 clients in is first eight months and makes a virtue of its independence from any banking group.

"A lot of smaller companies like to deal with a small organisation which they feel they can identify with," says Ms Pat Cooper, sales director. Some companies also feel they want to diversify their sources of finance and do not want to draw their factoring funds from the same bank which provides them with loans and overdrafts.

The influx of new participants in recent years has made for competitive conditions in the factoring market. Whether all will survive the next of the industry's periodic shake-outs remains to be seen.

Some people in the industry believe that ultimately the independents will be squeezed out, as the banks channel more of the leads coming through their branch networks to their own factoring subsidiaries.

"This will leave the independents scrabbling for the smaller deals and losing out as their clients grow," says Mr Jenkins of Barclays Commercial Services. "I think the industry will harden into camps grouped around the big banks."

He may be right. But, as the factoring industry's recent past shows, the banks can make mistakes. The independents can be expected to put up a tough fight for their niche in the business.

Analysis of Association members' clients

Turnover (£000) Oct 1988	Number	%
0-250	1,554	27.9
251 - 500	1,109	19.9
501-1,000	1,156	20.7
1,001-2,000	899	16.1
2,001-5,000	577	10.3
5,001-	284	5.1
	5,579	
Types of business:		
Manufacturing	2,594	46.4
Construction	71	1.3
Distribution	1,912	34.3
Transport	239	4.3
Services	763	13.7

Source: Association of British Factors

MEMBERS OF THE ASSOCIATION OF BRITISH FACTORS

Alex Lawrie Factors. HQ: Banbury, Oxon. *Shareholder: Lloyds Bank 100 per cent.*
Barclays Commercial Services. Hastings, East Sussex. *Barclays Bank 75 per cent, Yorkshire Bank 25 per cent.*
Century Factors. Newbury, Berkshire. *Close Brothers Group 95 per cent, Management 5 per cent.*
Griffin Factors. Worthing, Sussex. *Midland Bank 100 per cent.*
H&H Factors. Croydon, Surrey. *Heller (Overseas) 50 per cent, Trade Indemnity 50 per cent.*
International Factors. Brighton, Sussex. *Lloyds Bank 100 per cent.*
Lombard NatWest Commercial Services. Feltham, Middlesex. *National Westminster Bank Group 100 per cent.*
RoyScot Factors. Croydon. *The Royal Bank of Scotland Group 100 per cent.*
Security Pacific Business Finance (Europe). Brighton. *Security Pacific EuroFinance 100 per cent.*
UDT Commercial Finance. Richmond, Surrey. *TSB Group 100 per cent.*

MEMBERS OF THE ASSOCIATION OF INVOICE FACTORS

Anpal Finance, Leicester; Sibby Financial Services, Liverpool; Clifton Mercantile Company, London; Gaelic Invoice Factors, Glasgow; GT Invoice Factors, Tunbridge Wells, Kent; Hogg-Poynton Factors, Stockport, Cheshire; Kintyre Securities, Campbeltown, Argyll; London Wall Factors, Chorleywood, Herts; Ulster Factors, Belfast.

A DAY IN THE LIFE OF A FACTOR

'Pizza restaurants are slow payers, engineers are good'

IT IS a Wednesday morning in the offices of Century Factors, at Newbury in Berkshire, and the three directors who make up today's credits committee are starting to look at an application from a Midlands engineering company for an invoice discounting service.

In another office, clerks are starting to input information from several hundred clients' invoices into Century's computer system. Elsewhere in the building, teams of credit controllers are on the phone, liaising with clients on their sales ledger problems and chasing up clients' customers who have been slow in paying their bills.

"Pizza restaurants are very bad, but engineering companies are good payers at the moment," says Mr Lawrence Newsome, an assistant director.

Similar routines to that at Century are being followed at other British factoring companies. Century has a staff of 50 dealing with 142 clients with a combined turnover of around £135m. It is one of the smaller members of the Association of British Factors, but its operations are typical of its larger competitors.

Apart from the engineering company that has its application under scrutiny, two existing clients are being reviewed: while offers that have been made to three more prospective clients are being considered by the credits committee.

Growing competition in the factoring sector may have increased pressures on some factors to take on business they might otherwise have turned down, but it is the job of the credits committee to make sure that the companies for which Century provides factoring or invoice discounting services are sound propositions.

The committee has a six-page report on the engineering company, drawn up by one of Century's new business managers. It lists the company's trading history and details of its management, and looks at its record of managing its sales ledger.

The company has turned to a factor because, with plans to broaden its product range and increase turnover to around £800,000, it is likely to run up against the limits of its bank overdraft. Century has suggested it take up what it calls its "agency invoice discounting" service. The factor would provide cash against invoices, though the client would continue to handle its own sales ledger. Unlike straightforward invoice discounting, however, agency discounting requires the client to disclose on its invoices that it is using a factor. It must stamp or print on every invoice a notice that the invoice has been assigned to Century.

Agency discounting, explains Mr Leslie Bland, managing director, is offered to clients who do not have a strong enough balance sheet to justify undisclosed invoice discounting, but which do have the systems to handle their own sales ledger. The disclosure requirement means if anything goes wrong customers will not be surprised if the factor intervenes to collect its money.

Mr Bland and his team are comforted by the fact that the engineering company has been recommended by its auditor, but Mr Sandy MacGill, sales and marketing director, is concerned that the company only has an issued share capital of £100.

A bigger worry is the fact that the company does more than half its business with one large customer. Even if that customer is blue-chip and unlikely to go bust, the factor is concerned that there is always the possibility of a dispute over a delivery which could lead to its refusing payment.

If a client does more than 40 per cent of its business with a single customer, Century will not finance the excess invoices.

The engineering company has started out with nearly £200,000 of unpaid invoices that it wants to finance. After taking away about £25,000, because it represents sales to the large customer above the 40 per cent limit, and a further £25,000 of debt which is more than three months overdue (and therefore not covered by the proposed agreement), the company is left with about £150,0000 of invoices which are allowable by the factor.

Century, like other factors, will pay up to 80 per cent of the value of these invoices, which means the company could receive £120,000 on day one of its contract. To allow for subsequent sales growth at this client, the credits committee sets a limit of £200,000 on the money it is prepared to advance against invoices.

Mr Leslie Bland

The committee finally agrees to make an offer to the engineer consisting of a service charge of 0.7 per cent, with a monthly minimum of £350, a setting-up charge of £500 plus VAT, and an interest charge of 2.75 per cent above base rate on the money it advances.

In weighing up these terms, the three men have to consider whether the factoring subsidiary of its prospective client's clearing bank will make a counter offer. It is possible, but they consider it unlikely, because the bank itself is currently lending at more than 3 per cent above base. For the bank's factoring arm to offer finance much more cheaply than that would embarrass the bank, they decide.

Before the deal can go through, though, Century will have to get the client's bank to waive its charge over the company's sales ledger. This is normally a formality, but it can take up to three weeks and may delay the transaction. The bank may also want to cut its overdraft limit if it feels its own security has been reduced.

The credits committee also wants to see the latest audited annual accounts from the company, as well as monthly management accounts, before it goes ahead. At present all it has is audited figures to the end of 1987.

The three men then turn to the affairs of two companies that are existing clients for the full factoring service. These clients are reviewed regularly to make sure nothing is going wrong. One of the companies has recorded a sizable loss. Mr Bland and his team put this down to the owner's taking too much out of the business. They say they are not unduly worried, however, because the business is basically sound and is forecasting a return to near break-even point in the current year.

"Taking a selfish view, if he stopped trading we can get the debts in," says Mr Bland. Since Century provides a full factoring service to this company, and therefore handles all of its invoices, it has a good idea of what is going on. Mr Bland acknowledges that he would not be so happy, though, if he were invoice discounting this client and therefore not seeing his invoices on a daily basis.

Even after the credits committee has broken up, the daily business of administering client accounts goes on. Incoming invoices from clients and payments from their customers are tallied on a daily basis, so that Century knows how much cash is available under the limits agreed between factor and client.

The factor telephones the clients on an agreed day each week (more frequently if agreed) and lets him know how much cash he may take up. Some clients take up their maximum entitlement, others just part, while those that are flush with cash may leave it on account with Century.

Computers have meant that shuffling all this paper and making the calculations can be a very profitable business. But the factors, understandably, are keen to point out that the client gains, too.

"One company gets our service for £12,500," says Mr Bland. "That may seem a lot, but it is less than the costs the company would incur employing a credit controller and handling its own invoices."

Charles Batchelor

Experts foresee continued rapid increases in the volume of international trade financed by factoring, says **Peter Montagnon**

The service's worldwide network is spreading

INTERNATIONAL factoring – or the use of factoring to finance trade – is one of the fastest growing areas of the market, offering as it does a means of both credit insurance and debt collection that appeals particularly to smaller exporters.

According to Factors Chain International, the largest international umbrella organisation of factoring companies, the volume of international trade that was financed in this way during 1987 amounted to some $8.7bn – more than double the total posted just two years earlier.

Factoring experts believe there is scope for a continued further rapid growth as factoring services are introduced into more and more countries. Mr Jeroen Kohnstamm, secretary general of Factors Chain International, says there has recently been a particular breakthrough in the Far East.

European and US importers of products manufactured in that part of the world have become increasingly reluctant to use the traditional letter of credit method for financing such transactions, because they do not wish to tie up their credit capacity in this way. As a result, Asian exporters have turned to factoring as a means of financing their trade.

Industry executives say that growth in business has been particularly strong out of Japan, where all the major city banks now have factoring offshoots.

For Japanese companies factoring offers a further attraction, in that the export insurance division of the Ministry of International Trade and Industry has become heavily loss-making. Its premiums have been rising and red-tape surrounding export credit insurance as an alternative security for exporters has been increasing.

From there, however, growth in factoring business is spreading outwards into other newly industrialising countries, such as Taiwan and South Korea where banks have recently been allowed to enter the factoring market. Though Korea does have an export credit insurance agency, it tends to operate more at the longer-term, heavy goods end of the export credit market.

It is hard to compare international factoring directly with other forms of short-term trade finance, because of the peculiar nature of the services that factoring companies offer. Essentially this is credit insurance, financing over periods of up to six months and debt collection all rolled into one.

Mr Jeroen Kohnstamm

Normally, international factoring works in the following way. An exporter awards the contract for factoring finance to an export factor in his own country, who then becomes responsible for paying him for the goods less a fee for the service provided. The export factor works with an import factor in the importing country, who is responsible for checking the credit standing of the importer and collecting the receivables from him.

Thus the development of international factoring depends on the creation of a network of correspondent relationship between factoring concerns in countries around the world. This network is slowly becoming denser, though there are gaps in certain regions such as Central Africa, where the basic financial infrastructure is still underdeveloped, and in Latin America and Eastern Europe where factoring is also beginning to develop more rapidly.

In regions where the business has become well-established, however, factoring companies are able to offer an on-the-spot credit assessment which can make small exporters unfamiliar with the financial standing of their customers more secure. Their role as debt collectors means they can constantly relay market intelligence about the credit standing of importers, which can also help smaller exporters.

Because of the nature of the business, factoring is best suited to exports of items such as consumer goods sold on short-term credit periods. Factoring companies rely on payment performance as a yardstick for judging credit rating, which means they do not like to take risks more than six months out into the future. They also like to spread their risks, so that individual transactions do not normally exceed $100,000.

Mr Paul Gee

This is why factoring appeals particularly to smaller inexperienced exporters. Mr Paul Gee, marketing director of Griffin Factors, an offshoot of the UK's Midland Bank which reckons that international business accounts for some 10 per cent of its turnover, says that it is increasingly being used by UK companies putting their toe in the European water ahead of the advent of the single European market in 1992.

"The benefit that factoring offers them is that they can do that on open account securely," he says.

Factoring concerns thus look likely to feature in the competition for trade finance business in Europe after 1992, which is also expected to see some cut-throat competition between traditional export credit insurers. Mr Gee says, however, that he does not expect this to lead to the creation of excess capacity, because factoring turnover is growing so rapidly both domestically and internationally.

There are some limitations on the business, however, which go beyond the questions of size of transaction and maturity of credit terms. One area where international factoring is not growing particularly fast is in transactions between the US and Europe.

Factoring as a technique originated in the US, but its factoring companies tend to be highly specialised by sector, concentrating particularly on the textile trade. This means there is less scope for European exports to the US to be financed through factoring. Moreover European exporters appear to feel more confident about their own ability to judge the credit standing of their US customers and to collect debts from them than is the case with customers in other parts of the world.

Trade in the opposite direction is dominated by heavy goods, such as aircraft, to which factoring techniques do not apply, so once again there are fewer business opportunities for factoring concerns.

Last year an international convention was signed in Ottawa, which will make it harder for importers in individual countries to prohibit their suppliers from assigning the proceeds of invoices to factoring companies.

This convention, which has yet to be ratified by the governments of leading industrial countries, is expected to provide a further boost to international factoring. Though its impact on the market has been limited so far, Mr Kohnstamm, of Factors Chain International, says it has already helped by drawing attention to the market: "It has given an extra dimension to the acceptability of factoring."

CASE STUDY: BASEGUIDE

Ground-floor cover

THREE YEARS ago, the management of Dunlop's DIY division was embroiled in a buy-out of the vinyl and carpet floorcoverings business from parent company BTR.

The deal was completed in April 1986, with a new unquoted company, Baseguide, buying the division and its prestigious brand names under the Floormaker banner, for about £1.5m.

Alan Wilson, Dunlop DIY's divisional director, now Baseguide's managing director, realised at an early stage that factoring might offer an easy way round the special problems of lifting a whole division from a large conglomerate like BTR.

"We had integrated divisional systems, accounts and staff. I didn't look at it as a traditional MBO, I looked at it as a start-up operation," he says.

Baseguide, which operates from Sutton Coldfield in the West Midlands, turned to Peat Marwick in Birmingham for financial advice. They in turn recommended Lloyds as Baseguide's clearing bank, and Lloyds suggested that the buy-out team consider factoring, which would help management fund the deal and survive the difficult initial period as an independent group.

Baseguide selected International Factors, a subsidiary of Lloyds. In effect, IF and Lloyds provided the facilities to help management fund the deal. Nearly three years later both are still associated closely with the Baseguide operation.

Factoring offered three main advantages to the fledgling company, says Mr Wilson. It enabled the directors to:

- Concentrate on strategy and management, building up the company without worrying about the sales ledger and basic debt collection;
- Raise finance at short notice against working capital requirements; and
- Buy the division out without having to rely on equity from external investors.

Paul Beveridge was the IF client manager responsible for Baseguide at the time of the buy-out, and his team still

Mr Alan Wilson

manages the account.

"We had to look fairly closely at the management team involved," he says. "We thought the proposals were soundly based. They had good brand-names, and good-quality debtors, which were easy to underwrite."

IF offered Baseguide the full factoring service, managing the floor-covering company's sales ledger, looking at invoices, operating a credit-collection system and insuring the group against bad debts.

On the basis of knowledge built up in the course of its business, IF was able to underwrite almost all Baseguide's debtors immediately. Had Baseguide relied on one or two major customers, or sold floortiles direct to the public, then IF might not have been able to offer a service; but the group's main outlets were and still are a range of DIY multiples and major distributors.

However, Mr Beveridge says there were certain Baseguide clients whose creditworthiness IF was unable to vouch for immediately.

"The credit risk on unapproved debt is carried by the client company," says Mr Beveridge, "but we have since been able to credit-cover those particular Baseguide customers on the basis of our own experience with them."

Client companies also carry the risk of debtors taken on before the arrival of the factors. In Baseguide's case, some of them – particularly on disputed accounts – were six to nine months old. Most factors will undertake to try and collect such debts and, despite their age, Mr Beveridge says IF was able to recover 95 per cent of them.

The existence of long-standing debts is the only major problem which IF has encountered in its relationship with Baseguide, according to Mr Beveridge, and the trading record of the company since the buy-out seems to bear out his compliment.

Annual sales before April 1986 amounted to some £2.6m, and the division was losing between £300,000 and £400,000. Since then, turnover has increased fairly steadily to about £6.5m. Mr Wilson – unwilling to give competitors a target to aim at – will only describe profits as "very acceptable", but he points out that traditionally most companies in the vinyl tile market have struggled to break even.

As if to emphasise this progress, Baseguide has just changed the name of its holding company to The Aristocrat Group – one of its most successful brand names – but

Factoring offered the fledgling company three advantages

how much has factoring helped in establishing the independent company?

"We no longer have the need that there was to draw cash against our debtors," says Mr Wilson, "but [factoring] does enable us to plan a little bit: we can take a medium-term view on expenditure. Factoring gives us an opportunity to build from a strong foundation."

Part of that foundation is the link between IF and Lloyds. With Baseguide's permission, the bank has access, through an IF service called Cashstream, to the tile-maker's sales figures, enabling it to monitor the company's current progress and approve additional financing with confidence.

Mr Beveridge is proud that, as a result of IF's management of the sales ledger, Baseguide has improved on the targets for debt collection outlined in the original business plan.

Before factoring, the average time was 75 days; the management team aimed to reduce this to 60 days, but now the average time taken to recover debts is about 50 days, giving Baseguide a healthy margin over the 60 or 90-day bills of exchange issued to creditors, most of whom are overseas.

Mr Beveridge says Baseguide's improving performance has also enabled IF to reduce its fees, because the tile-manufacturer's sales to particularly safe, creditworthy clients have risen. The amount of paperwork has stayed the same, but the risk insured by IF has decreased.

It seems a relationship of mutual satisfaction, and though Baseguide is now a stable group, Mr Wilson has no immediate plans to drop factoring. However, he acknowledges that if Baseguide were to enact its ambitious expansion plans, and acquire a company which was already operating its sales ledger efficiently it might not need to extend the IF service.

Mr Beveridge is sanguine about the possibility of Baseguide's moving away from factoring as the group develops. It is not uncommon, he says, for companies to grow out of factoring. On the other hand, clients are sometimes bought by larger groups which may want to retain IF.

"Whatever happens," says Mr Beveridge, "they usually leave us for the right reasons."

Andrew Hill

CASE STUDY: IBS

'A bit like Christmas'

"IF PEOPLE knew about factoring and were free to use it, I would think that 80 per cent of small businesses would take it up," says Ann Watson who, with her husband Laurie, founded Berkshire-based Integrated Broadband Services almost four years ago.

Mrs Watson is a factoring fan. She believes that IBS's decision to go to a factoring company in mid-1987 has been largely responsible for the company's growth rate.

Without it, she maintains, either cash-flow considerations would have stifled the rate at which IBS took on new work; or she and her husband - sole owners of the business until they sold to MBS Communications Company last year - might have been obliged to bring in an external venture capital partner. The problem with the latter course, she suggests, would have been that the venture capitalist invariably wants both his money back and some share in the company's profits.

IBS started life in 1985, initially operating from the Watsons' bedroom. The idea of the company - drawing on Mr Watson's industrial experience - was to survey, design, supply and eventually install networking systems, using broadband cable.

Such networking systems would link the heap of electronic products employed by major organisations. Today the client-list includes banks, as well as Shell and Reuter. Turnover is projected to top £2m this year, and more than two dozen people now work for the company.

From three names considered, Century got the business

Within six weeks of its formation, IBS had outgrown the Watsons' bedroom and had taken attic space in Newbury itself. It met its first year's sales target well ahead of schedule, and has since moved on to two more, progressively larger sets of offices.

Just under two years ago, an associate company was also set up, to undertake installation work. Until then, the installation had been sub-contracted, but IBS found that quality suffered. Its own installation operation had a slightly bumpy start in profit terms, however. As Mrs Watson puts it: "We found we couldn't get two lots of margins." After about a year, the associate company was brought in to the main IBS group, and since then the two operations have dovetailed much more happily.

Despite this fairly rapid expansion, the business had never enjoyed external help. It was founded by the Watsons without any third partner, and serviced through an ordinary high street bank account. Clients, on the other hand, were often chunky companies - not accustomed to settling their bills with an excess of speed. "The bigger the company, the worse they pay," remarks Ann Watson ruefully.

Moreover, IBS was taking on sizable turnkey projects and inevitably, perhaps, "it got to the point when we could only secure so much at the bank". Their house was already up as security; and the Watsons', still deeply opposed to a venture capital partner, had little more to offer.

That was when they turned to factoring. Their bank threw up one name, Griffin Factors (part of the Midland group). They also consulted Alex Lawrie, largely because it was a well-known name. The third company was Century Factors, based in Newbury and picked because it was local.

Century got the business. The terms of the deal were that IBS would get 70 per cent of monies due the day after invoices were submitted, and the rest when the client's cheque had been cleared. Century would retain 0.82 per cent of the base sales invoices, and would charge an initial 2.75 per cent over base rate on the sums forwarded (this rate subsequently dropped). All invoices were factored, except those coming from IBS's overseas clients - a small part of its business, but which includes some work for Norwegian and American companies.

All invoices were factored, except those from overseas clients

At the same time that it switched to factoring, IBS moved its banking business to Lloyds Commercial, where Mrs Watson maintains that a more suitable service was available. "They agreed that factoring was the best thing for us."

Throughout the period that IBS factored, the company experienced few problems with customers. The factoring company, according to Mrs Watson, was meticulous about checking back with IBS before hassling late-payers. IBS, conversely, stepped in when it felt that its own pressure might produce more desirable results. Psychologically, a considerable burden was also lifted: "It was like Christmas every time you put in an invoice."

The agreement with Century was due to last one year, and IBS had planned to move on to invoiced discounting. In the event, it sold out to MBS and, since its new parent did not utilise a factoring system itself, needed to terminate the arrangement with Century three months early.

Again, few problems seem to have arisen. Century worked out what it might have received over the additional three months - based on its experience in the previous nine - and a net sum of under £3,000 changed hands. Mrs Watson confesses to worries on being thrown back to the unfactored world, but says the company's growth over the previous 12 months meant that this was less traumatic than she had feared.

In some respects, it should be stressed, IBS's type of business and its customer profile may be particularly well-suited to the factoring route. That said, the Watsons have no doubts about the value of the exercise: "Factoring used to be debtor's ally, but not any more. It does open completely new horizons. It was a lifesaver in the end."

Nikki Tait

"OUR COMPANY WAS HOVERING. WITH KELLOCK IT'S SOARING."

Chris Bennett, Managing Director, Alison Associates, Reading.

Chris Bennett started Alison Associates in 1978.

The company conceives and develops data systems for the motor industry.

Their products help dealers and manufacturers keep control of their businesses, reporting current performance and providing plans and cash flow forecasts.

It was, ironically, cash flow hold-ups (endemic to many vigorous, growing businesses) which pointed Alison Associates in Kellock's direction in 1983.

"To be honest, we weren't very good at collecting money," confesses Chris.

"And we weren't really interested in chasing customers. We just wanted to get on with what we were good at.

"Speaking of which, we'd like to put in a special word here for Martin Hudson, our Kellock Client Manager.

"We'd never have achieved the performance Martin has. He's been fantastic."

Chris uses Kellock for support in his sales ledger administration, credit control and collection. (He sends his invoices to Kellock who then forward payment to Alison Associates immediately.)

"Kellock have been the making of us. We couldn't have expanded without their brand of factoring. A regular in-flow of cash has enabled us to finance a level of sales which we'd never have reached otherwise."

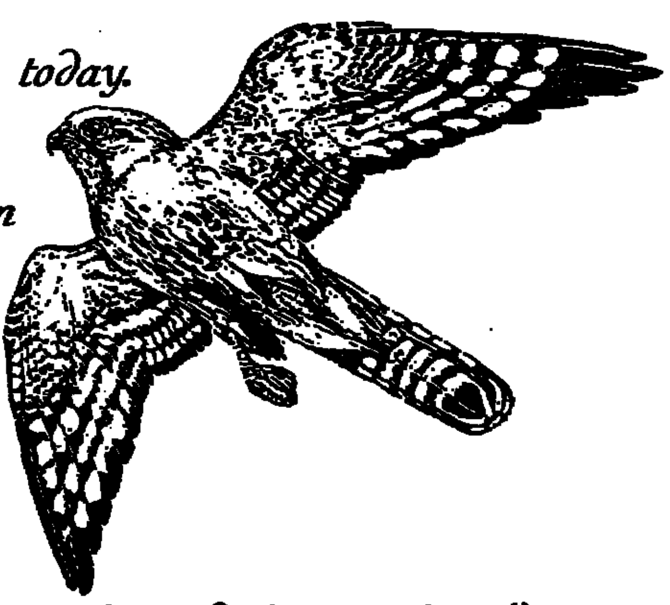
Turnover of Alison Associates has increased tenfold over the last five years and the company now employs more than 70 people.

"We've recently set up a new training department and we're actively looking to take over other related businesses.

"Profits are good, our position secure," smiles Chris. And his many top-name clients are equally happy.

Would you like your business to fly even higher?

Call 0734 585511 today.



Our Commercial Director, Ian Fitz-Harris and his team are waiting to talk to you about Kellock factoring (domestic and international), invoice discounting or trade finance.

Member of Bank of Scotland Group

To take off, pick up the 'phone. Kellock Limited, Abbey Gardens, 4 Abbey Street, Reading, Berkshire RG1 3BA.

Regional offices in Birmingham, Edinburgh, Glasgow, Leeds, London, Manchester.

KELLOCK

WE GIVE YOUR BUSINESS WINGS.

FACTORING 6

Karen Zagor assesses the way the service is growing in the US

A well-worn 18th century mantle

"The pound of flesh which I demand of him is dearly bought, 'tis mine, and I will have it" – The Merchant of Venice, IV:i

FACTORS IN the United States have been unfairly tarred with the same brush as Shakespearian money-lenders, according to Mr Francis Basile, president of CIT Group Factoring.

This may partly explain why factoring in the US remains firmly rooted in the clothing and textile industries, whose ties to factoring date from the early 18th century, when the textile trade first established a foothold in the fledgling nation.

The volume of factoring in the US in 1987 was about $46bn, of which the clothing industry accounted for 80 per cent. Some factors expect the figures for 1988 to be even higher. Again, clothing will account for roughly four-fifths of that trade.

The American companies that evolved into factors started life as selling agents, mainly for European textile mills. They knew which local companies could be trusted, and they sold and warehoused the merchandise.

Factors offer a three-pronged service: they check credit, guarantee that credit, and provide advances against accounts receivable. Clients will use any or all of the services, each coming with a separate bill.

Some large fashion houses, such as Liz Claiborne, use a factoring service to guarantee, rather than setting up, an in-house credit department.

There are several reasons for the strong association between American factors and the clothing trade. Textiles in general and clothing in particular are volatile industries where there is often rapid growth. This cyclical variation, while often too risky for standard bank loans, lends itself particularly well to factoring.

"Almost nowhere will you find the peaks and valleys in terms of seasonal need of money that you find in the apparel industry," said Mr Basile.

Furthermore, the large number of retail stores in the clothing industry gives the factor a lot of room for manoeuvre.

Another reason why the business has not diversified is that factoring is an individualized service, and factors already have a history of credit information and contacts in the textile and clothing worlds. These connections would have to be forged anew if they were to expand into other areas.

The growth of factoring in the US since the war has been staggering. In 1940, total factoring volume amounted to $790m. By 1946, it was $2.41bn, and by 1956 it had nearly doubled to $4.30bn. By 1966 volume had soared to $7.39bn, and in 1987 turnover was around $45bn.

Volume in 1987 was $46bn — 80 per cent of it clothing

Growth in the clothing and textile industries accounted for some of the increase. Also important was a decision by the Comptroller of the Currency, in July 1965, to allow commercial banks to go into factoring, bringing aboard new reserves of capital and endowing the business with a certain respectability.

In recent years the trend among factoring companies has been one of consolidation. Ten years ago there were around 35 sizeable factors; today the smaller of these are all but gone. The number of sizeable factors has settled in the 15-18 range.

The faces change marginally from year to year and the number of firms varies slightly, but most factoring companies are lost not to liquidation but through purchases by other London factors. In the past year BancBoston has closed its purchase of First Purchase of Charlotte, North Carolina, and Irving Trust has bought Slavenberg of New York.

The largest US factor at present is Manufacturers Hanover Commercial, which also owns the CIT group. Their combined annual volume is about $7bn. This is followed by Heller Financial, which is owned by Japan's Fuji Bank but operates as an independent factoring firm.

Other big names in the industry are Congress Talcott, Irving Commercial, Republic Factors, BancBoston Financial, BarclaysAmerican, BankersTrust, Trust Co. Bank (of Georgia) and Citizen & Southern Commercial.

While some factors argue that big is good, because the larger firms tend to have greater resources, others believe that the huge factors destroy the intimate relationship between factor and client.

Most in the industry agree that the single biggest concern of the moment for the major factors is the spate of leveraged buy-outs (LBOs) which has gripped the merchandising sector.

In the past, huge companies such as Federated, Allied and Macey's took large orders; and traditionally they had no problems with credit. Today they still ship in the same volume and the factors are still approving the credit, but the leveraged buy-outs have left them on a shaky financial footing. According to Sidney Rutberg, who is writing a book on the industry, the factors are sitting with their fingers crossed. A number of the heavily indebted firms have already cost the industry dearly.

However, the overall picture for 1988 was encouraging for the factoring sector, with profits up and interest rates largely stable. Total profits for the year are expected to be up on 1987, which was a good year, according to Mr Basile. Most factors were pleased with the year-end results, he added. On the turnover front, however, there was an increase in volume of only about 4 per cent.

The beginning of 1989 bodes well for factors, because clothing inventories started to fall at the end of 1988 after retail sales had improved as more popular fashions entered the stores and lower prices began to take hold.

"I think we'll have another good year," said Mr Basile – "barring an LBO disaster."

Factoring volume in the US ($m)

Company	1987	1986	1985	1984	1983
Manufacturers Hanover Commercial (d)	4,332	3,340	2,800	2,500	2,000
Heller Financial (Fuji Bank)	4,200	3,760	3,300	3,400	3,111
Congress Talcott Factors	4,085	3,162 (b)	1,324	1,387	1,095
Irving Commercial Corp (c)	3,800	2,500	1,800	1,900	1,600
Meinhard-Commercial (Cit Group) (e)	3,278	2,700	3,000	3,525	3,800
Republic factors	3,000	2,300	1,750	1,625	1,400
BancBoston Financial	2,966	2,783	2,588	2,634	2,282
BarclaysAmerican/Commercial	2,780	2,909	2,582	2,381	1,886
BT Factors (Bankers Trust)	2,300	2,000	1,600	1,400	1,100
Trust Co Bank (of Georgia)	2,209	1,853	1,543	1,303	1,077
Citizen & Commercial Services	2,153	1,883	1,749	1,507	1,294
Chemical Business Credit (a)	2,036	1,710	1,600	1,600	1,400
Security Pacific Business Credit	1,425	1,250	1,100	1,100	1,030
NatWest Commercial Services	905	753	513	433	350
Rosenthal & Rosenthal	870	826	730	700	604
Milberg Factors	755	720	675	600	546
NCNB Financial Services	707	834	677	562	555
Slavenburg Corp (Credit Lyonnais)	694	671	587	511	354
Century Factors	683	503	460	574	588
First Union Commercial Corp	615	575	399	301	210
Midlantic Commercial	604	507	445	380	309
Ambassador Factors (Fleet Fin'l)	550	495	475	475	395
Standard Factors (Sterling Nat'l)	147	139	143	188	195
Merchants Factors	63	51	19	-	-
Total*	45,237	40,929	37,527	37,366	32,888

(a) Combined volume of Congress & James Talcott Inc.
(b) Acquired by Citizen & Southern Commercial at end 1987.
(c) Includes factoring volume of Associates Commercial, acquired in 1987.
(d) Included volume of Wm Iselin & Co, a unit of CIT factoring group that was discontinued in 1987. Its volume was folded into Meinhard & Manufacturers Hanover Commercial, Iselin's sister CIT companies.
*Prior years' totals includes volume of firms no longer in business

Source: Daily News Record

The fiercely competitive Italian market is booming, reports **David Lane**

BNL retains its grip

"RAPID GROWTH of factoring will continue well into the next decade," predicts Francesco Bartocci, managing director of Banco di Roma's subsidiary Finroma.

Mr Bartocci believes that Italy, already the world's second largest factoring market, will generate an annual total of between L120,000bn (£50m) and L160,000bn of factoring business within five years.

Last year a sample of Italian factoring companies, representing about 80 per cent of the market, achieved an aggregate turnover of L41,000bn. Five years earlier, turnover had been only L7,000bn.

Business is clearly booming. Figures from Banca Nazionale del Lavoro (BNL) – the pioneer which launched factoring in Italy in 1963 through its Ifitalia subsidiary – reveal nominal annual growth rates of between 35 and 52 per cent during the 1980s.

Factoring benefited from the unsatisfied financing requirements of many small and medium sized companies during the late 1970s and early 1980s.

However, it did not suffer repercussions when administrative controls on banking credit were abolished in 1983. While it initially won acceptance for reasons strictly related to corporate cash needs, factoring in Italy has developed into a more sophisticated financial instrument.

The BNL Group has found that most demand arises from manufacturing industry and commercial organisations in the metallurgical, mechanical engineering and clothing sectors. But recently, partly because of increasing competition and partly to spread risk, factoring companies have been diversifying. New clients are being found in the tertiary sector, from construction to consumer credit and leasing companies, and among suppliers to Italy's slow-paying health services.

BNL Group has not relaxed its grip on the market leadership position which it won by offering the first factoring services in Italy. Ifitalia alone holds a share of about 11 per cent. With two other subsidiaries, Sudfactoring and Agrifactoring, the BNL Group's factoring turnover amounted to L8,825bn last year, equal to nearly one fifth of the market.

New factoring companies have sprung from industry and commerce

Taking account of its minority stakes in other factoring companies, the BNL Group covers about one half of the Italian market. Its main competitors are CBI Factor (9 per cent), Factorit (7.3 per cent), Mediofactoring (6.2 per cent), Comit Factor (5.9 per cent) and Primefactor (4.1 per cent).

After leading the way by introducing factoring to Italy, as well as maintaining market primacy, BNL Group has been an innovative force in creating one of the key characteristics of today's factoring market. Captive or targeted factoring accounts for about 30 per cent of business, a level unique on a worldwide scale.

Alongside the "traditional" type of factoring with roots in banking, factoring companies have sprung from industry and commerce during the 1980s. Large groups, like Fiat, Olivetti, Pirelli, Montedison, ENI, Zanussi and Rinascente, have created their own factoring services. And these are enjoying faster growth than the factoring subsidiaries of Italy's banks.

"Many of the new companies offer their services exclusively within their own groups, both for handling credit and for their own supplier credit," explains Mr Bartocci. Suppliers to Fiat, Olivetti or any of the groups with factoring companies, being paid on 60, 90 or 120-day terms, are the captives as they turn to the factors for finance against the accounts receivable from the factors' own parents.

Competition to bank-affiliated factoring companies is exacerbated by the flow of funds from the banking system itself.

"The bargaining power of major industrial groups is such that they can obtain bank loans at preferential terms, especially in periods of high liquidity. They can then deploy these funds to finance their own factoring companies," complains Mr Bartocci. Borrowing at below prime rate and lending above is good business for Italy's big groups.

The industrial groups follow the national pattern in borrowing from banks to finance their factoring operations. Unsurprisingly, factoring companies which are affiliated to banks also turn to the banking system. Mr Bartocci notes that a survey of major factoring companies undertaken by the Bank of Italy showed that, at the end of 1987, bank borrowings accounted for L7,200bn of L9,800bn of factoring finance, equal to about 70 per cent.

Clearly the relationship between banks and factoring is sensitive, and this is recognised by the Bank of Italy. The acquisition of interests by banks in factoring companies is subject to authorisation from the central bank in cases involving more than 2 per cent of the factoring company's capital or 10 per cent of the bank's assets. This is not, however, seen as a problem.

On the other hand, absence of specific legislative regulation is considered to hinder factoring's development. Factors have to base their contract documents on 1942's Civil Code, regarding the transfer of credit liabilities, which are meant to cover special circumstances. This has led to heavy documentation and bureaucracy without significant reduction in risk.

Numerous calls for legislation have led to the preparation of draft legislation, but this has languished in parliament for the past two legislatures. "This law would give a degree of protection in the case of bankruptcy of the parties transferring the credit or of the debtors," explains Mr Bartocci.

In addition to hoping for legislative action, Italy's factoring companies wish that competition would decrease. With about 80 factoring companies, many of which are unable to offer adequate service, the market enjoys an over-supply. This large number, disproportionately high compared with other countries, is good for encouraging competitive conditions but harmful to the factors' profit and loss accounts.

David Lane

Factoring in Italy: key figures

Year	Total factoring market (Lbn)	Real growth (%)	Domestic-export turnover (%GNP)
1984	10,475	37.4	1.4
1985	15,709	38.1	1.9
1986	21,229	27.4	2.3
1987	30,080	35.5	3.0
1988	41,045	30.3	3.8
1989*	53,094	24.4	4.6

*Forecast for current year

Source: BNL Sample